

A MESSAGE FROM THE COMMISSIONER

I am pleased to present the Social Security Administration's Performance and Accountability Report for fiscal year (FY) 2008. This report highlights our accomplishments, discusses key issues that will affect our future operations, and describes how we managed our finances and administered our programs during the past year. I encourage you to review the message from our Chief Financial Officer as well as the report itself.

People depend on our programs – both Social Security and Supplemental Security Income – for support at critical junctures of their lives: retirement, the loss of a loved one, or the onset of disability.

I have seen from personal experience the important work this agency does and the essential protection it provides to some of the most vulnerable in our society. To meet their needs, we continuously strive to provide our numerous services as effectively and efficiently as possible. We cannot ignore, however, the strain caused by reduced staffing, limited resources, and the weight of our mounting workloads.

Retirement and disability claims are increasing, and we expect them to continue to grow as the baby boomers age. We also commit substantial resources to other responsibilities, such as the Medicare program and immigration enforcement.

These limitations have created significant backlogs in our work, particularly at the hearings level of our administrative appeals process where waiting times for a hearing are unacceptable.

It is a moral imperative to eliminate the disability hearings backlog, and driving down that backlog is our number one priority.

To accomplish this, in the last fiscal year, we implemented initiatives to enhance our capacity to hear and decide cases and to improve our management of this extremely important workload. These initiatives also include expansion of the use of automation and electronic services in many of our key workloads.

In FY 2008, we also received, for the 15th consecutive year, an unqualified opinion on our financial statements, and our auditors reported no material instances of noncompliance with laws and regulations.

I am also proud to report that we have no material internal control weaknesses and that our financial and performance data in this report are reliable and complete under the Office of Management and Budget's guidance.

However, while we applaud our many FY 2008 accomplishments, we recognize we have much more work ahead of us.



Consequently, this past September, we issued a new Agency Strategic Plan – a roadmap of how we will improve service to the public and preserve its trust in our programs (<http://www.ssa.gov/asp>). The plan also lays out our strategies to address our mounting workloads. These changes are essential if Social Security is to continue to meet the needs of all Americans.

We look forward to working with the President, Members of Congress, and all of our stakeholders to achieve our goals. With their support, I am confident that Social Security will be able to provide world-class service for generations to come.

A handwritten signature in black ink, which appears to read "Michael J. Astrue". The signature is stylized and fluid.

Michael J. Astrue
Commissioner
November 7, 2008

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SSA's FY 2008 PERFORMANCE AND ACCOUNTABILITY REPORT IS AVAILABLE ON THE INTERNET AT:
www.socialsecurity.gov/finance





Management's Discussion and Analysis

The *Management's Discussion and Analysis* (MD&A) is required supplementary information to the financial statements and is designed to provide a high-level overview of the Social Security Administration (SSA). It provides a description of who we are, what we do, and how well we meet the goals that have been set.

The *Overview of the Social Security Administration* section highlights our mission as set forth in the *Agency's Strategic Plan*. This section also discusses the major programs we administer: the Old-Age Survivors, and Disability Insurance programs (commonly known as Social Security), as well as the Supplemental Security Income program. A brief history on how we evolved and our effect on the Nation's economic security are provided as well as a discussion of our organization.

Next, the *Overview of our FY 2008 Goals and Results* section provides an overview of our progress in the context of the *Government Performance and Results Act of 1993* (GPRA). The GPRA statute requires federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2008, we used 26 distinct GPRA performance measures to manage and track our progress. The performance measures focus on our most critical challenges and areas in need of improvement. A performance summary of our goals and results is provided in this section. All of the FY 2008 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the *Performance Section*.

The *Overview of our FY 2008 Goals and Results* section of the MD&A also speaks to our Data Quality. This section provides a discussion of the actions we have taken to address our management control responsibilities. While the Office of the Inspector General (OIG) did not initiate any performance measure audits in FY 2008, it did complete four audits that were initiated in FY 2007. Further details on audit findings and information on how OIG conducted the audits may be found in the *Auditor's Reports* section.

The *Performance and Accountability Report* would not be complete without providing a summary of the challenges we are addressing, including current and future activities and strategies in place to deal with them. The *Agency Priorities as We Move Forward* section of the MD&A defines our strategy to address the challenges and priorities we will face over the next five years. Also addressed in the *Agency Priorities as We Move Forward* section are our scores on the President's Management Agenda initiatives and our Program Assessment Rating Tool findings.

In addition to discussing program performance, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. The major sources and uses of our funds, as well as the use of these resources, in terms of both program and function, are explained.

Finally, the *Systems and Controls* section of the MD&A provides a discussion of the actions we have taken to address our management control responsibilities. The Management Assurances within this section provides our assurances related to the *Federal Managers' Financial Integrity Act* and the determination of our compliance with the *Federal Financial Management Improvement Act*. Also addressed are the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

OUR PROGRAMS BENEFIT AMERICA

Our mission: To advance the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.¹

Few government agencies touch the lives of as many individuals as the Social Security Administration. Social Security benefits and Supplemental Security Income payments play a significant role in the Nation's economic security. In 1937, about 53,000 retirees received monthly Social Security benefits. The number of people we serve has increased by more than 12 percent during this decade alone. Today, we pay Social Security benefits and Supplemental Security Income to approximately 60 million individuals each month. However, Social Security benefits have not always been available to Americans.

Early in the Nation's history, a large segment of the population lived and worked on farms with their extended families. This life-style was the foundation of the Nation's economic security. Relying on one's extended family became less common during the Industrial Revolution of the late 18th and early 19th centuries as individuals moved from farms to cities. Workers began depending more on wages and less on other resources for their financial well-being. Without an extended family for support, unemployment, disability, old age, and death could threaten an individual's economic security.

This is exactly what happened in the 1930s when unemployment rates skyrocketed. The Great Depression triggered a national economic crisis. As a result, President Franklin D. Roosevelt created the Committee on Economic Security with the intention of instituting a Social Security program. He signed the *Social Security Act*, or *Act*, into law in 1935.

The *Act* established the Social Security Board, now known as the Social Security Administration, and initially provided retirement benefits to meet the public's needs. After its formation, the Social Security Board informed employers, employees, and the public on how earnings would be reported

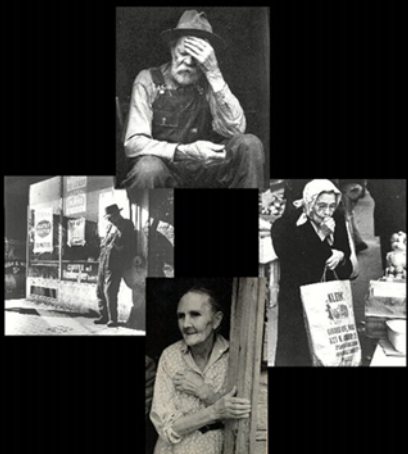
¹ This was the mission as stated in the *FY 2006- 2011 Agency Strategic Plan*. We released a new *Agency Strategic Plan* in September 2008 with a new mission statement. The *FY 2009 Performance and Accountability Report* will reflect this new mission statement.

How Social Security Benefits America: Then and Now

- 1936- 1st Social Security office opened; 175 field offices opened by 1937
- 2008- 1,270 field offices open for business
- *
- 1936- 1st Social Security Number issued
- 2008- To date, more than 450 million original Social Security Numbers have been issued
- *
- 1937- 53,236 retirees received Social Security benefits
- 2008- 32.1 million retirees received Social Security benefits
- *
- 1940- \$41.20 was the maximum monthly retirement benefit
- 2008- \$2,185 was the maximum monthly retirement benefit
- *
- 1960- 500,000 workers received Social Security disability benefits
- 2008- 7.3 million workers received Social Security disability benefits
- *
- 1974- 3.6 million Supplemental Security Income recipients received monthly payments
- 2008- 7.1 million Supplemental Security Income recipients received monthly payments

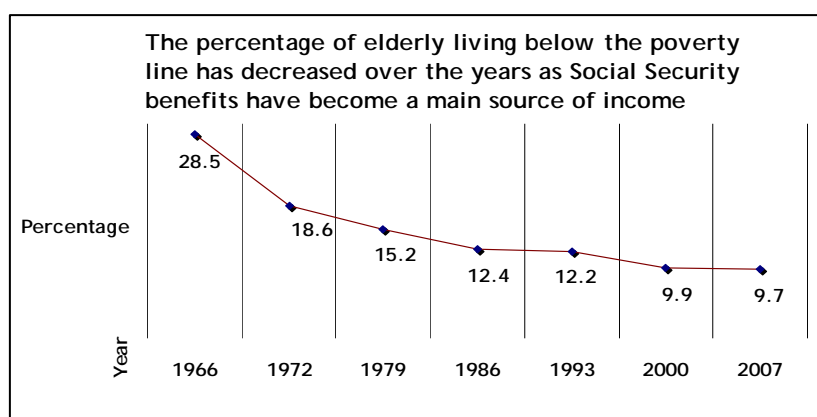
Depression Hard on the Elderly

Majority Lived in Dependency



and how benefits would be paid. The Board then contracted with the United States Post Office to distribute the numerous applications needed to register employers and workers and to assign Social Security Numbers to track earnings. The Board's processing center, located in Baltimore, MD, issued over 35 million Social Security cards in 1936-1937.

Over the years, the Social Security Administration has moved from an agency that provides old-age benefits and Social Security Numbers to an agency that provides a wide-range of benefits and services. Our agency administers two major programs: the Old-Age, Survivors, and Disability Insurance program and the Supplemental Security Income program. In addition to these programs, we assist individuals in applying for food stamps and Medicare, including the Medicare Prescription Drug Plan. These programs play a significant role in the economic security of the Nation's people, particularly among the elderly population. One-third of all elderly individuals derive at least 90 percent of their total income from Social Security benefits. As shown in the chart below, the percentage of the U.S. population age 65 and over living below the poverty line has declined from 28.5 percent in 1966 – the first year that the United States Census Bureau provided annual statistics for this segment of the population – to 9.7 percent in 2007. This decline in the poverty



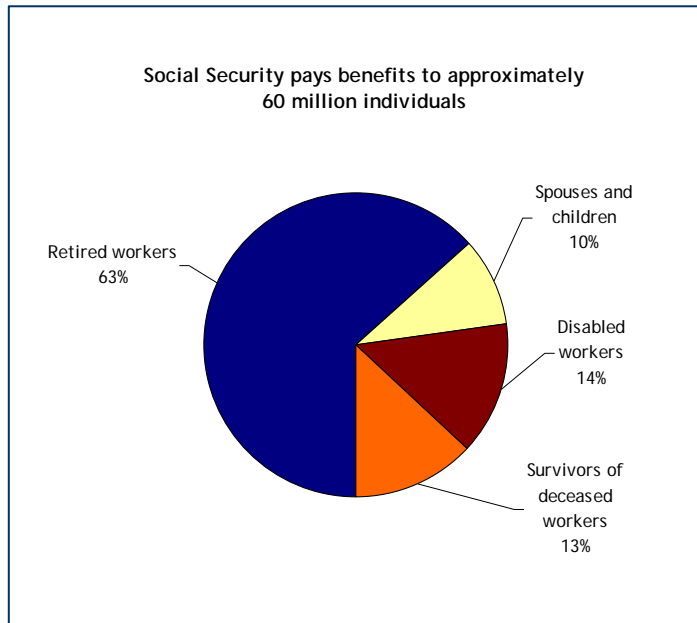
level shows that Social Security benefits and Supplemental Security Income payments have improved the quality of life for the elderly; millions more are protected in the event of disability or death. We also pay monthly benefits to people with limited income and resources who are disabled, blind, or age 65 or older. We describe the Old-Age, Survivors, and Disability Insurance program and the Supplemental Security Income program in the following sections.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Working Americans and their families can count on benefits when they retire or become disabled. The original *Act* provided only Old-Age (commonly known as retirement) benefits to individuals at age 65. The 1939 Amendments to the *Act* added two new categories of benefits: dependent benefits and survivor benefits. Dependent benefits are paid to the spouse and minor children of the retired individual. In the event of death, survivor benefits are paid to the deceased's family.

To receive benefits, an individual must be "insured." We determine whether an individual is insured by calculating their earnings in employment covered by Social Security taxes. For retirement benefits, we compute an individual's average earnings using, in most cases, their highest earnings for a 35-year period. Employees, their employers, and self-employed individuals pay taxes based on the amount of their earnings. These tax revenues are placed into the Social Security Trust Funds from which we pay Old-Age, Survivors, and Disability Insurance benefits. We base

benefit amounts on earnings on which an individual has paid Social Security taxes. However, Social Security benefits vary because the benefit formula is progressive. This means the proportion of earnings that are replaced by benefits is greater for an individual with lower earnings than for an individual with higher earnings. This weighting



assumes that individuals with lower earnings have greater financial needs than higher paid workers who are more likely to have pensions and private savings. Although full retirement age has risen from 65 to 67 for individuals born after 1959, the basic benefit structure of the Social Security system has remained essentially unchanged since 1939.

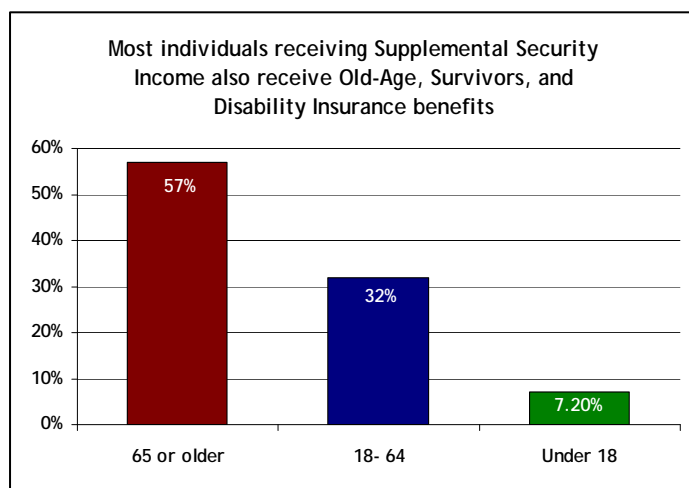
In addition to retirement benefits, cash benefits to disabled individuals ages 50-65 and disabled adult children were added to the *Act* in 1956, creating the Disability Insurance program. Eventually, Congress broadened the scope of the Disability Insurance program to include disabled individuals of any age and their dependents. Legislation enacted in 1968 provided benefits to disabled widows and widowers who are at least 50 years old. Disability Insurance benefits provide a continuing flow of income to eligible disabled individuals and to eligible family

members. An individual is disabled if unable to perform past work or other work because of a medical condition and the disability is expected to result in death or last for at least one year. In addition, a disabled individual must have sufficient earnings to be insured for disability benefits. Once benefits begin, they continue for as long as the individual is disabled and either does not work or works but does not earn more than a certain amount per month. For more information about our programs and benefits, please visit our website at www.socialsecurity.gov.

SUPPLEMENTAL SECURITY INCOME PROGRAM

The original *Social Security Act* introduced programs for needy aged and blind individuals, and changes to the *Act* in 1950 added needy disabled individuals. State and local governments first administered these programs, known as the “adult categories” of welfare, with partial federal funding. The 1972 *Social Security Amendments* converted these state and local programs to the federal Supplemental Security Income program. Supplemental Security Income is a needs-based program for elderly individuals, as well as blind and disabled adults and children, who have limited income and resources. Supplemental Security Income provides money to meet basic needs for food, clothing, and shelter.

Elderly individuals may qualify for Supplemental Security Income if they are age 65 or older and have limited income and resources. Blind and disabled adults applying for Supplemental Security Income must meet the same disability requirements as under the Disability Insurance program, in addition to meeting limited income and resource requirements. We encourage disabled individuals receiving Supplemental Security Income to return to work and offer them special work incentives similar to those offered to individuals receiving Disability Insurance benefits.



In the past, Supplemental Security Income usually was the sole source of income for most individuals receiving such payments. However, as recently as 2007, 57 percent of individuals receiving Supplemental Security Income over age 65 also received Social Security benefits. The chart on the left illustrates that a larger percentage of elderly individuals receiving Supplemental Security Income are also receiving Social Security benefits, while a smaller percentage of blind and disabled individuals under age 65 receiving Supplemental Security Income also receive Social Security benefits.

To receive Supplemental Security Income, children must meet different disability

requirements than adults. You can find more information about Supplemental Security Income for children at www.socialsecurity.gov/ssi/text-child-ussi.htm.

Unlike the Social Security programs, Social Security taxes do not finance Supplemental Security Income. Instead, general revenues finance all Supplemental Security Income payments and administrative costs. Please refer to our website at www.socialsecurity.gov/pgm/links_ssi.htm for eligibility requirements and other information about the Supplemental Security Income program.

OUR ORGANIZATIONAL STRUCTURE

The Social Security Administration provides direct service to the American public at critical stages in their lives. Our Old-Age, Survivors, and Disability Insurance and Supplemental Security Income programs touch the lives of over 95 percent of all Americans. As the federal agency charged with managing and delivering the services under these programs to individuals across the country, we have had to modify the agency's organizational structure to meet the changing needs of the public we serve.

The Social Security Administration was originally named the Social Security Board. In 1939, the Social Security Board lost its independent agency status and was combined with the Public Health Service, the Office of Education, the Civilian Conservation Corps, and the U.S. Employment Service to form the Federal Security Agency.

The President's reorganization plan of 1946 renamed the Social Security Board the Social Security Administration. Arthur Altmeyer, who had been the Social Security Board's chairman, became our first Commissioner. President Eisenhower abolished the Federal Security Agency in 1953 and created a new Department of Health, Education, and Welfare. We became a part of this new cabinet-level agency.

In 1980, the Department of Health and Human Services replaced the Department of Health, Education, and Welfare. We remained a major part of the Department of Health and Human Services until the agency returned to its original status as an independent agency, effective March 31, 1995.

Our current organizational structure is designed to provide timely, accurate, and responsive service to the public. Most of our 62,000 employees deliver direct service to the public or support the services provided by front-line workers. Our employees work in field offices, regional offices, card centers, teleservice centers, processing centers, hearings offices, the Appeals Council, and our headquarters located in Baltimore, Maryland. Field offices and card centers are our primary points for face-to-face contact with the public. Teleservice centers offer National 800 Number telephone service (1-800-772-1213). Processing centers complete a wide-range of workloads, primarily actions for individuals already entitled to Social Security benefits.

Additionally, 15,000 individuals, employed by our state and territorial partners in Disability Determination Services, help us process our disability workloads. The hearings offices and Appeals Council decide appeals of Social Security benefit and Supplemental Security Income payment determinations. Additionally, the public can conduct business and obtain information via the Internet at our website: www.socialsecurity.gov.



The Social Security Board was created when President Roosevelt signed the *Social Security Act* in 1935.



On July 1, 1939, the Social Security Board moved under the Federal Security Agency.



On July 16, 1946, the President renamed the Social Security Board the Social Security Administration.



Social Security Administration moved under the newly formed Department of Health, Education, and Welfare in 1953.



The Department of Health and Human Services replaced the Department of Health, Education, and Welfare on May 4, 1980.



The Social Security Administration again became an independent agency on March 31, 1995.

In FY 2008, we used our resources to process workloads including:

- Issuing over 18 million Social Security cards;
- Crediting almost 270 million earnings items to individuals' records;
- Issuing over 148.6 million *Social Security Statements*;
- Handling over 57 million calls to our National 800 Number;
- Handling over 44 million visitors to our field offices;
- Taking 3.9 million retirement, survivor, and Medicare applications;
- Taking 2.6 million disability applications;
- Taking 321,070 Supplemental Security Income-aged applications;
- Paying benefits to approximately 60 million individuals each month;
- Processing over 1 million periodic continuing disability reviews;
- Processing over 1.2 million Supplemental Security Income redeterminations to ensure continued eligibility;
- Processing 23 million status changes (e.g., address, direct deposit, relationships, work, etc.);
- Processing over 4.8 million benefit recomputations;
- Processing almost 1 million Medicare-subsidy applications;
- Making decisions on nearly 575,000 hearings; and
- Making decisions on more than 83,000 Appeals Council reviews.

The chart on the following page illustrates our current organizational structure. Our structure continues to change as we adjust to the growth of our core workloads, the addition of non-traditional workloads (including new elements of the Medicare program and immigration enforcement), increased complexity of our work, and an environment of limited resources.

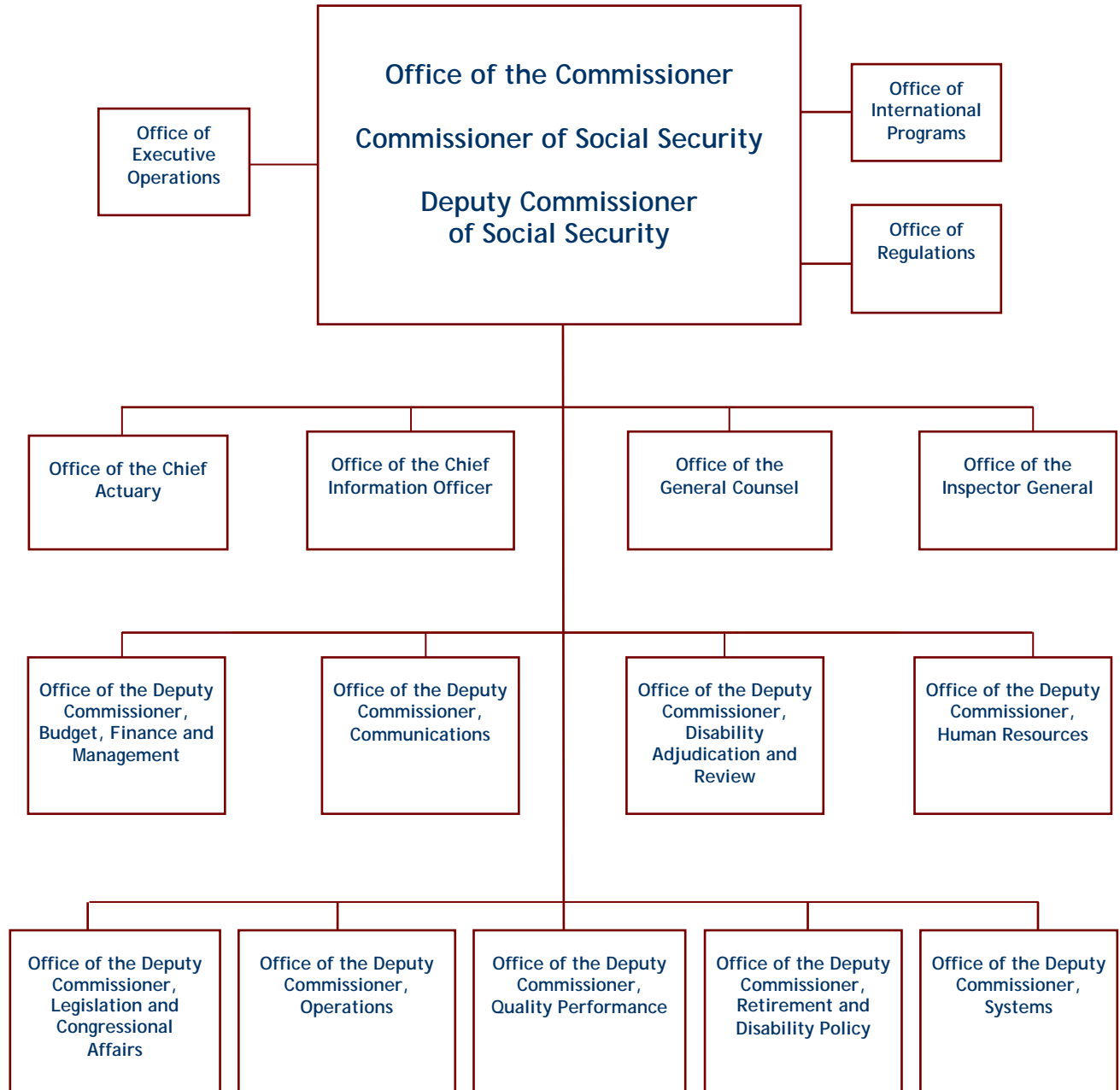


Our first local field office opened on October 14, 1936, in Austin, Texas.



The Candler Building is located on the waterfront in downtown Baltimore, Maryland. This building was home to our Division of Accounting Operations which issued the first Social Security Numbers and established earnings records for individuals covered by the Social Security program.

OUR ORGANIZATION CHART



OVERVIEW OF OUR FY 2008 GOALS AND RESULTS

FY 2008 OVERVIEW OF PERFORMANCE

The 1993 *Government Performance and Results Act* requires all federal agencies to issue a 5-year *Strategic Plan* that includes a mission statement and outlines long-term goals, objectives; an *Annual Performance Plan* which provides annual performance commitments toward achieving the goals and objectives presented in the *Strategic Plan*; and an Annual Performance Report which we choose to include in the *Performance and Accountability Report* that evaluates the agency's progress toward achieving those performance commitments.

Although we issued a new [Agency Strategic Plan](#) on September 24, 2008 for FY 2008-2013, we based this *Performance and Accountability Report* on our [Strategic Plan for FY 2006-2011](#). The primary purpose of this *Performance and Accountability Report* is to document the agency's accomplishments for the performance measures specified in our [Annual Performance Plan](#) for FY 2008.

We are committed to providing superior service to the American public despite increased workloads and constrained resources. One indication of our progress and commitment to meeting the needs of the millions of individuals we serve is that we met the goal for 18 out of 20 of our FY 2008 performance measures for which end-of-year data are available. Data for six of our remaining performance measures will not be available later in FY 2009. We will report our performance on these six measures in the *FY 2009 Performance and Accountability Report*.

The *Strategic Plan*, on which this performance report is based, focused on the following four strategic goals:

To deliver high-quality, citizen-centered service

Results: Met the goal for 11 of 16 measures (data unavailable for 3 measures)

Although the number of pending hearings increased in FY 2008, we processed over 16,000 more hearings than the FY 2008 goal. In the last half of FY 2007, we implemented a plan to eliminate the hearings backlog by FY 2013. The initial focus of the hearings backlog elimination plan has been on the oldest hearing requests that generally take more time to review. In FY 2008, we processed 575,380 hearings, including 99.8 percent of the hearings pending over 900 days old – 134,879 of 135,160 cases. As the old paper claims continue to be processed and electronic claims become standard, we expect to meet the hearings processed and pending goals in the future.

We continue to make significant progress in implementing new processes to enhance our ability to make accurate, consistent, and timely disability decisions. We processed more than 2.6 million initial disability claims during this fiscal year and met performance goals for initial disability claims processed and average processing time. With better systems and processes planned for the future, we expect to continue to improve disability claims service and our overall service rating.

We also faced the challenge of improving and increasing automation in order to optimize service while enhancing productivity. To address this challenge, we enhanced existing Internet applications to help meet increasing public demand for online services. These enhancements included usability improvements and additional automated customer service options and support for individuals filing online for retirement, disability, and spouses benefits. We also used speech technology and new self-help options to improve service on our National 800 Number.

To protect the integrity of Social Security programs through superior stewardship

Results: Met the goal for 5 of 8 measures (data unavailable for 3 measures)

While it is important that we improve automation and modernize our business processes to meet our service and performance goals, program integrity is a key stewardship responsibility. Program integrity workloads improve the accuracy of benefit payments, protect the integrity of the Trust Funds, and ensure taxpayer money is properly used. These program integrity efforts ensure that individuals receiving benefits continue to be eligible and are being paid the correct amount. Although we scaled back these workloads due to budget constraints over the last several years, in FY 2008 we received increased funding for our program integrity workloads. This allowed us to process more Supplemental Security Income non-disability redeterminations and continuing disability reviews. Each of these workloads are cost effective, returning more than \$10 in lifetime program benefits for every \$1 spent. Dedicated program integrity workload funding allowed us to process:

- Over 1.2 million Supplemental Security Income non-disability redeterminations to reduce improper payments; and
- Over 1 million continuing disability reviews to determine continuing entitlement to disability benefits.

In addition, in FY 2008 we:

- Issued more than 18 million original and replacement Social Security cards;
- Issued more than 148.6 million *Social Security Statements*; and
- Received an unqualified opinion from our auditors on our financial statements.

To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations

Results: Met the goal for this measure

We provided analytical and data support to the Administration and Congress on legislative proposals to address Social Security reform related to the solvency of the Trust Funds. In addition, at various forums, we continued to communicate to the public financing facts and information about our programs, as well as promoted information and services available on our Internet website. Additionally, we issued annual *Social Security Statements* to more than 148.6 million individuals eligible to receive the *Statement*.

The objectives of the *Social Security Statement* are to help individuals verify their earnings record; inform the public about Social Security programs; and assist in financial planning. To ensure that the *Statement* is meeting its objectives and providing value to the public, we have an ongoing *Statement* evaluation plan that includes focus group testing and formal surveys. During FY 2008, we conducted a national survey of recent recipients of the *Statement* to evaluate its effectiveness as a communications medium.

To strategically manage and align staff to support the mission of the agency

Results: Met the goal for this measure

We continue to be committed to outstanding service and continuous improvement. At the heart of that commitment are our dedicated, capable, and creative employees who provide a high level of service to the American people. The silver tsunami of baby boomers affects us not only in workloads, but also in our staffing as we face our own retirement wave. To address this, we performed a retirement wave analysis which is the catalyst for many human capital initiatives, including recruitment and leadership development programs. In FY 2008, we updated and released the *National Recruitment Guide* which provides information on recruitment strategies and techniques. This

guide will help us recruit and maintain a workforce with the knowledge, skills, and abilities necessary to safeguard operations and ensure that we provide quality service to the public. We also developed a *Recruitment Evaluation Plan* to measure various elements of our national recruitment strategy. We collected survey and personnel data throughout the fiscal year and are analyzing the findings to refine our strategies. As a result, we determined whether specific initiatives should be continued, strengthened, or eliminated to enhance our recruitment plan.

These four goals drive the objectives, outcomes, and performance measures listed in this *Performance and Accountability Report*. We developed these particular objectives, outcomes, and performance measures to support our mission and provide the framework for allocating resources.

PERFORMANCE SUMMARY OF GOALS AND RESULTS

The *Government Performance and Results Act* requires all federal agencies to create performance measures to support goals. The following tables provide an overview of our performance measures for FY 2008. We organized the measures by the goals and objectives they support, as specified in our *Strategic Plan for FY 2006 - FY 2011* and published in the *Annual Performance Plan for FY 2009 and Revised Final Plan for FY 2008*.

Key	
Target Achieved	↑
Target Not Achieved	↓
To Be Determined	
Final FY 2008 Not Available	TBD
PART - Denotes each of the agency's 10 Program Assessment Rating Tool (PART) performance measures which were also <i>Government Performance and Results Act</i> performance measures. (See page 34 for more information on PART)	

Strategic Goal 1: *To deliver high-quality, citizen-centered service*
Strategic Objective 1.1: Make the right decision in the disability process as early as possible

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
1.1a	Percent of initial disability claims receipts processed by the Disability Determination Services up to the budgeted level ²	100%	101%	↑	45
1.1b PART	Minimize average processing time for initial disability claims to provide timely decisions	107 days	106 days	↑	46
1.1c PART	Disability Determination Services net accuracy rate for combined initial disability allowances and denials	97%	Data available January 2009	TBD	47
1.1d	Achieve the budgeted goal for SSA hearings processed (at or above the FY 2008 goal)	559,000	575,380	↑	48
1.1e	Maintain the number of SSA hearings pending (at or below the FY 2008 goal)	752,000	760,813	↓	49
1.1f PART	Achieve target percentage of hearing level cases pending over 365 days	56%	37%	↑	50
1.1g	Achieve target percentage of hearing level cases pending 900 days or more	Less than 1% of universe of over 900-day cases pending	0.2%	↑	51
1.1h PART	Achieve the budgeted goal for average processing time for hearings	535 days	514 days	↑	51
1.1i	Achieve the budgeted goal for average processing time for requests for review (appeals of hearing decisions)	242 days	238 days	↑	52
1.1j	Decrease the number of pending requests for review (appeals of hearing decisions) over 365 days	28%	22%	↑	53

Strategic Objective 1.2: Increase employment for people with disabilities by expanding opportunities

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
1.2a PART	Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets in use, who work	Establish a new baseline	Data available July 2009	TBD	53
1.2b	Number of quarters of work earned by Disability Insurance and Supplemental Security Income disabled beneficiaries during the calendar year	Establish a baseline	Data available July 2009	TBD	55

² The budgeted level is 2,582,000 for FY 2008.

Strategic Objective 1.3: Improve service through technology, focusing on accuracy, security, and efficiency

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
1.3a PART	Percent of Retirement and Survivors Insurance claims receipts processed up to the budgeted level ³	100%	101%	↑	55
1.3b	Improve service to the public by optimizing the speed in answering 800-number calls	330 seconds	326 seconds	↑	56
1.3c	Improve service to the public by optimizing the 800-number busy rate for calls offered to Agents	10%	10%	↑	57
1.3d PART	Percent of individuals who do business with SSA rating the overall service as "excellent," "very good," or "good"	83%	81%	↓	58

Strategic Goal 2: To protect the integrity of Social Security programs through superior stewardship

Strategic Objective 2.1: Detect and prevent fraudulent and improper payments and improve debt management

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.1a	Process Supplemental Security Income (SSI) non-disability redeterminations to reduce improper payments	1,200,000	1,220,664	↑	59
2.1b	Number of periodic continuing disability reviews processed to determine continuing entitlement based on disability to help ensure payment accuracy	1,065,000	1,091,303	↑	60
2.1c PART	Percent of Supplemental Security Income payments free of overpayment and underpayment error	96% O/P 98.8% U/P	Data available July 2009	TBD	61
2.1d PART	Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment and underpayment error	99.8% O/P 99.8% U/P	Data available July 2009	TBD	63

³ The budgeted level is 4,065,000 for FY 2008.

Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN) issuance process to help prevent misuse and fraud of the SSN and card

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.2a	Percent of original Social Security Numbers issued that are free of critical error	95%	Data available March 2009	TBD	65
2.2b	Percent of Social Security Number receipts processed up to the budgeted level ⁴	96%	96%	↑	66

Strategic Objective 2.3: Ensure the accuracy of earnings records so that eligible individuals can receive the proper benefits due them

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.3a PART	Issue annual SSA-initiated Social Security Statements to eligible individuals age 25 and older	100%	100%	↑	67

Strategic Objective 2.4: Manage Agency finances and assets to link resources effectively to performance outcomes

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.4a	Receive an unqualified opinion on SSA's financial statements from the auditors	Receive an unqualified opinion	Received an Unqualified Opinion	↑	68

Strategic Goal 3: *To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations*

Strategic Objective 3.1: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
3.1a	Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms	Completed	↑	69

⁴ The budgeted level for FY 2008 was 19,000,000. We received 18,804,959 requests (less than the budgeted level). As such, 96 percent of the actual number received is 18,052,761. We processed 18,114,400 requests, thereby meeting this goal.

Strategic Goal 4: *To strategically manage and align staff to support the mission of the Agency*

Strategic Objective 4: Recruit, develop and retain a high-performing workforce

Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
4.1a	Enhance SSA's recruitment program to support future workforce needs	Implement the recruitment evaluation, including collecting initial baseline data and develop an evaluation report	Completed	↑	70

Electronic versions of the documents discussed can be viewed at the following Internet addresses:

- Our *Strategic Plan FY 2006 – FY 2011* can be found at:
<http://www.socialsecurity.gov/strategicplan.html>.
- Our *Strategic Plan FY 2008 – FY 2013* can be found at:
<http://www.ssa.gov/asp/>.
- Our *FY 2009 Annual Performance Plan/Revised Final FY 2008 Annual Performance Plan* can be found at:
<http://www.socialsecurity.gov/performance/>.

For a paper copy of either our *Strategic Plan* or *Annual Performance Plan*, write to:

Social Security Administration
Office of Budget, Finance and Management
Strategic Management Staff
4215 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

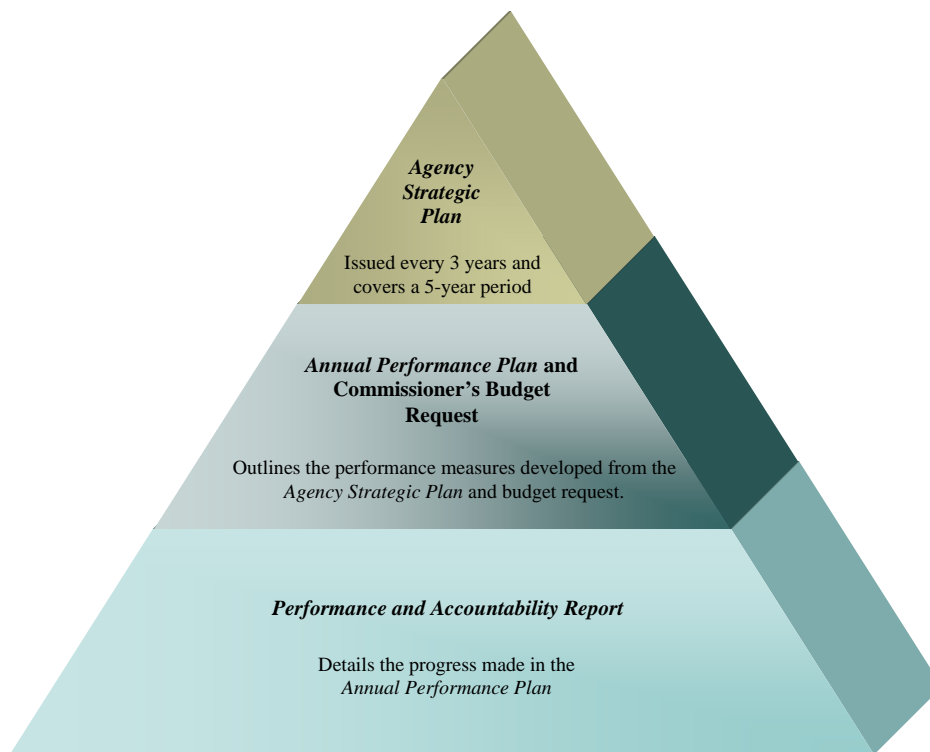
BUDGET AND PERFORMANCE INTEGRATION

One of five government-wide management projects, the Budget and Performance Integration Initiative, builds on the *Government Performance and Results Act* and earlier efforts to identify program goals and performance measures and link them to the budget process. This initiative aims to place greater focus on performance and has two goals:

- To use performance information in budgeting; and
- To improve program performance and efficiency.

We developed our *Annual Performance Plan* in tandem with the agency's budget. We determine our annual performance targets based on our expected performance improvements and our expected funding levels for the year. We closely monitor our progress towards these targets as the year progresses and as necessary, make adjustments in allocating our resources.

Our accounting and cost analysis systems track the administrative costs of our programs by workload, as well as employee production rates. These systems provide integrated financial and performance information to managers at all levels. We emphasize to managers the connection between resources and results. Our executives meet on an ongoing basis to review and discuss performance measures and to allocate resources based on performance and projected workloads.



DATA QUALITY

Social Security is committed to providing clear, reliable data for managerial decision-making and oversight. We strive to ensure that our data is quantifiable and verifiable. We have internal controls in place to provide reasonable assurance that these objectives are met. These controls include ongoing data quality reviews, as well as audit trails, reviews at all levels of management, restricted access to sensitive data, and separation of job responsibilities. Our controls assure that data in this report contain no material inadequacies and support the Commissioner's *Federal Managers' Financial Integrity Act Assurance Statement*. Refer to the *Systems and Controls* section on page 39 for more information about the *Federal Manager's Financial Integrity Act*.

SOCIAL SECURITY DATA INTEGRITY SYSTEMS AND CONTROLS

We generate data for quantifiable performance measures using automated management information and workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and workload samples designed to achieve confidence levels of 95 percent or higher. We also perform stewardship reviews on the accuracy of Old-Age, Survivors, and Disability Insurance and Supplemental Security Income payments. These reviews are the primary measure of quality for agency performance and provide an overall payment accuracy rate. We derive each review from a sample of records of individuals currently receiving monthly Social Security benefits or Supplemental Security Income payments. For each sampled record, we interview the individual or the authorized representative, contact others as needed, and redevelop all non-medical factors of eligibility.

Furthermore, we use an evaluation process known as *Transaction Accuracy Reviews* to provide quality feedback on recently processed Old-Age, Survivors, and Disability Insurance and Supplemental Security Income applications, as well as Supplemental Security Income redeterminations (a review of individuals' non-disability eligibility factors to determine whether they continue to be eligible and are receiving the correct Supplemental Security Income payment amount). In FY 2008, we selected approximately 17,000 cases (8,500 from each program) for a *Transaction Accuracy Review*. These reviews focused on our processing procedures, and the results of these reviews provided national and regional data on the quality of the application process. In addition, we conducted field assistance visits to identify areas where we could improve our work processes. In an effort to improve accuracy and efficiency, we analyzed the data to determine the causes for deficiencies and issued mid-year and annual reports of our findings. These reports provided timely feedback to our employees and included recommendations on how to prevent errors in the future.

AUDIT OF OUR FY 2008 FINANCIAL STATEMENTS

The *Chief Financial Officer's Act of 1990* requires our Office of the Inspector General, or an independent external auditor that it selects, to audit our financial statements. In compliance, the Office of the Inspector General selected PricewaterhouseCoopers, LLP to conduct the FY 2008 audit. The audit concluded the financial statements present fairly, in all material respects, the financial position of the Social Security Administration. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We provide the PricewaterhouseCoopers, LLP audit report in the *Auditor's Reports Section* beginning on page 143.

ROLE OF OUR OFFICE OF THE INSPECTOR GENERAL

Our Office of the Inspector General has a key role in auditing performance measure data systems to verify the validity and reliability of performance, budgeting, and financial data. The objectives of the audits are to:

- Assess and test our internal controls of the development and reporting of performance data for selected annual performance measures;
- Assess and test the application controls related to the performance measures;
- Assess the overall reliability of the performance measures' computer processed data;

- Test the accuracy of results presented and disclosed in the *Performance and Accountability Report*;
- Assess the meaningfulness of the performance measures; and
- Report the results of the testing to Congress and agency management.

While the Office of the Inspector General did not initiate any performance measure audits in FY 2008, it did complete four audits that it initiated in FY 2007. For more details on audit findings and information on how the Office of the Inspector General conducted the audits, refer to the *Inspector General's Statement on SSA's Major Management Challenges*, page 150.

AGENCY PRIORITIES AS WE MOVE FORWARD

OUR NEW DIRECTION

This *Performance and Accountability Report* focuses on our many accomplishments in FY 2008 in working towards our established goals. FY 2008 was a pivotal year during which we formulated our strategy to address the challenges and priorities we will face over the next 5 years. On September 24, 2008, our Commissioner issued his first strategic plan – [Agency Strategic Plan for 2008–2013](#). This plan is the agency's roadmap to address the major challenges ahead. It charts our course to maintain a high level of performance on core workloads and improving our service to the public. It lays out our four goals:

- Eliminate our hearings backlog and prevent its recurrence;
- Improve the speed and quality of our disability process;
- Improve our retiree and other core services; and
- Preserve the public's trust in our programs.

The success of our strategic plan depends on two key foundational elements – our employees and information technology. With 80 million baby boomers filing for benefits over the next 20 years, our ability to provide our core services will be stressed. Significant investment in our employees and new technology will be critical to achieve our ambitious goals.

Below we discuss the major priorities facing the agency and the corresponding current and future actions we plan in response to these challenges.

Eliminate Our Hearings Backlog and Prevent Its Recurrence

Eliminating the disability hearings backlog is not only our highest priority, it is a moral imperative. Many individuals face extraordinarily long wait times for the outcome of their appeals. Long waits cause extreme hardships for disabled individuals and their families as they cope with the loss of income and medical insurance. At the end of FY 2008, over 760,000 individuals were waiting for a hearing. Despite progress in the past year, on average an individual waits over 500 days to receive a decision. The backlog growth in this decade resulted primarily from limited overall agency resource constraints, combined with an increased demand for services as baby boomers reach their most disability-prone years. We have taken a number of important steps to better manage this workload. We implemented several initiatives to increase our capacity to hear and decide cases and to improve our workload management practices. Below we summarize our progress on these initiatives as well as describe initiatives we will be implementing.

Increase Our Capacity to Hear and Decide Cases

Eliminate Hearings Pending 900 or More Days: In FY 2007, we eliminated 99 percent of the hearing requests that would have been pending 1,000 days or more. In FY 2008, we concentrated on processing the 135,160 hearing requests that were or would be pending for 900 or more days by the end of the fiscal year. We processed 134,879 of these cases, 99.8 percent, and only 281 remained at the end of FY 2008. We continue to reduce the age of this pending workload incrementally, and we will target cases pending over 850 days in FY 2009.

Increase Number of Administrative Law Judges (ALJs): A key element in eliminating our hearings backlog is hiring additional ALJs to increase our capacity to hear and decide cases. With the additional funding that Congress appropriated in FY 2008, we hired 190 additional ALJs. These new ALJs experience a learning curve of about 9 months, and we anticipate they will reach full productivity in early FY 2009. We also hired additional hearing office support staff, which performs many critical functions in the hearings process. Additionally, for the first time, we established individual annual expectations for ALJs, asking each ALJ to issue 500 to 700 hearing decisions each year. By FY 2010, we will have increased the size of our ALJ cadre to 1,250, an increase of 15 percent from our FY 2007 low of 1,082 ALJs.

Open National Hearing Centers: In early 2008, we opened our first fully electronic National Hearing Center in Falls Church, VA. The National Hearing Center allows us to capitalize on new technologies, such as electronic disability folders and video hearings. It also gives us flexibility to better address our hearings backlog and swiftly target assistance to heavily backlogged areas across the country. We will open new National Hearing Centers in Albuquerque, NM and Chicago, IL in FY 2009.

Provide Additional Video Hearing Equipment: ALJs often travel to remote locations to conduct hearings. Using video hearing technology minimizes travel to hearing sites for ALJs, but most especially for individuals and their representatives. For example, in remote areas, this secure technology enables individuals to attend video hearings rather than travel long distances to hearing sites. Additionally, video hearings reduce administrative costs and increase our capacity to process hearings. In FY 2008, we accelerated our installation of video hearing equipment. We are looking to further expand our use of video capabilities by testing desktop video units. These units are essentially small flat screen televisions that enable ALJs to conduct hearings in their offices. We are currently evaluating the results of our testing and anticipate further expansion of this technology in FY 2009 and beyond.

Improve Our Workload Management Practices Throughout The Hearings Process

Realign Our Hearing Service Areas: Each hearing office has a designated geographic service area. Cases for individuals who file appeals are assigned to the office servicing the area where they live. As a result, over time, some offices have more appeals pending than others, which results in significant case load and processing time disparities between offices. To address this, we realigned some of our hearing offices' service areas in FY 2008 and plan to add new hearing offices in locations where we cannot efficiently handle the pending caseload through other means. We continue to analyze workload distributions to determine if further adjustments are needed.

Increase Automation: Technology is instrumental to improving the hearings process. Automation enhancements will make the process more efficient and increase productivity. We are developing the following initiatives to automate select tasks and functions in the hearings process:

ePulling: ePulling is an initiative to sort documents using customized software. We began piloting the software in the Tupelo, MS hearing office and have expanded the pilot to the Mobile, AL; St. Louis, MO; Minneapolis, MN; and Richmond, VA hearing offices, as well as to the National Hearing Center in Falls Church, VA. Initial feedback is positive. In FY 2009, we will continue to pilot the software and plan for nationwide incremental rollout.

eScheduling: In FY 2008, we began the planning and analysis for developing a means to electronically schedule hearings. We conducted market research to identify vendors who could assist us in implementing eScheduling. We also have developed our business requirements and plan to develop the software and begin testing it in pilot hearing offices in FY 2009.

Electronic Records Express Website: Medical providers, attorneys, and other third parties may submit medical records to us in an electronic format via a secure *Electronic Records Express* website. We are enhancing the website to permit registered representatives, such as attorneys and representative payees, to securely view and download the contents of electronic folders. We began testing an enhanced

Electronic Records Express website in FY 2008 and will continue to test and refine this website as we gain more experience with it.

Centralized Printing and Mailing: We implemented centralized high-speed, high-volume printing for the millions of notices that hearing offices mail annually. We began limited testing in four hearing offices and we expanded this process to 31 additional hearing offices before rolling it out nationwide in FY 2008. From February through September 2008, we sent 324,335 notices via centralized printing and mailing and expect the volume to increase significantly in FY 2009.

Establish Standardized Electronic Hearings Business Processes: The purpose of this initiative is to develop the most efficient and effective electronic processes which would then become the standard for all hearing offices. These processes will ensure we handle requests for hearings consistently within each office; reduce operating expenses; incorporate future technological advancements; reduce the time individuals wait to receive hearing decisions; improve the timeliness of our case-related activities; ensure the legal sufficiency of our decisions; and help us determine the ideal ratio of staff needed to support an Administrative Law Judge. In FY 2008, a review team visited numerous hearing offices to identify best practices and to solicit from the staff any concerns about and suggestions on the electronic processing of hearing requests. We drafted a proposed business process that outlines the most effective, efficient, and consistent case processing methods. We also piloted the draft business process in two hearing offices - one in Downey, CA and the other in Grand Rapids, MI. We are obtaining input from all hearings stakeholders, and based on their feedback, we will revise the proposed business process as necessary. In FY 2009, we plan to pilot the revised process in each of our ten regions.

Improve The Speed and Quality of Our Disability Process

We are responsible for the Nation's two primary federal disability programs: Social Security Disability Insurance and Supplemental Security Income. The number of individuals filing for disability benefits has increased significantly over the last 5 years. Furthermore, we expect the number to grow even more rapidly as more baby boomers reach their most disability-prone years. To address growing disability workloads, we must increase productivity without sacrificing quality. We have and will continue to evaluate our disability process and make necessary changes to streamline and update the program. Below we discuss our efforts to advance this goal.

Fast-Track Cases That Obviously Meet Our Disability Standards

Expand Quick Disability Determinations (QDD): We developed computer software that identifies cases where the disability determination is highly likely to be favorable and can be processed quickly. The software evaluates the disability alleged as well as treatment information to determine if the medical evidence is readily available and if the individual has a clearly substantiated disabling condition. If the claim meets these criteria, it is identified as a QDD case. Many QDD cases involve low birth-weight babies, cancer, and end-stage renal disease. In FY 2008, we phased in QDD nationwide and processed more than 44,000 QDD claims with an average processing time of 8 days. We continue to review the QDD selection criteria to enhance our computer software and maximize our capacity to accurately identify these cases.

Implement Compassionate Allowances: Compassionate Allowances are a way of quickly identifying diseases and other medical conditions that clearly meet our definition of disability, including acute leukemia, pancreatic cancer, and amyotrophic lateral sclerosis (more frequently referred to as Lou Gehrig's disease). We will allow many of these claims based on confirmation of the diagnosis alone. We held two public hearings on Compassionate Allowances over the last year. The first was on rare diseases and the second was on cancers. We have scheduled a third public hearing on brain injuries for November 2008. Based on the results of these hearings, we will determine the best course of action to implement Compassionate Allowances. We plan to roll out this initiative in three phases. The first was scheduled in October 2008, with phases two and three occurring in 2009.

Make It Easier and Faster to File for Disability Benefits Online

Rollout *Disability Direct*: Over the next 10 years, it is projected that initial disability claims will grow by 10 percent. To address this workload growth, we will implement *Disability Direct*, a new initiative that will make it more convenient for individuals and their representatives to file for disability benefits from the comfort and convenience of their home or office. It will also help fulfill the public's rapidly growing expectation for convenient, effective, and secure electronic service delivery options. There are three main components to *Disability Direct*:

- A simplified online application process for individuals filing for disability benefits. This new application will eliminate or simplify questions on the current application and include links, prompts, and other tools to assist users;
- A comprehensive online package of services for representatives who help individuals file for disability benefits; and
- A direct information exchange between Social Security and medical service providers or third parties who provide information on behalf of individuals filing for disability benefits.

We anticipate rolling out components of *Disability Direct* in FY 2009.

Regularly Update Our Disability Policy and Procedures

Update the *Listings of Impairments*: The *Listings* (<http://ssa.gov/disability/professionals/bluebook/listing-impairments.htm>) describe for each major body system the impairments considered severe enough to prevent an individual from working, or for children, impairments that cause marked and severe functional limitations. We have started the process of updating the *Listings* on a regular basis and have a schedule to ensure we update all of them at least once every 5 years. In FY 2008, we published final regulations for 2 of the 14 body systems. We expect to have final regulations on all major body systems in 2009.

Develop an Occupational Information System: We need information about work that exists throughout the Nation to determine whether impairments prevent individuals from doing not only their past work but any other work in the national economy. We currently use the Department of Labor's *Dictionary of Occupational Titles* (DOT) to identify and describe work performed in the United States. However, the Department of Labor has not updated the DOT since 1991 and has no plans to do so. We are exploring tools to update, on an interim basis, the type of information currently in the DOT. In addition, we are developing a long-term strategy to replace the DOT with updated definitions and objective measures of the requirements of work.

Simplify Work Incentive Programs: One of our highest priorities is to assist and support disabled individuals who want to return to work. To help them reach their employment goals, we administer a variety of work incentives and employment support programs, as well as conduct demonstration projects. We also maintain a page on our website devoted solely to return-to-work planning and assistance (see <http://www.socialsecurity.gov/redbook/eng/planning-assistance.htm>).

We recently issued final rules designed to improve this program based on our experience and input from interested parties. Although individuals with disabilities will have greater flexibility in obtaining the services they need to achieve their employment goals, we are concerned that these improvements will fall short of Congressional expectations. We will monitor the results of this recent regulation and, as necessary, revisit the statute to ensure we achieve the goals Congress intended.

We will also continue to conduct research and demonstration projects to study ways to improve our services, tie objective medical data to functionality, and address the varied needs of individuals with disabilities. We will also collaborate with Congress to reauthorize our critically important demonstration authority. We provide detailed discussions for all of our demonstration projects at <http://www.socialsecurity.gov/disabilityresearch/demos.htm>.

Develop and Implement a Disability Determination Services Common Case Processing System: We share responsibility with our 54 state and territorial partners, the Disability Determination Services, to determine eligibility for disability benefits. Since each has its own unique disability case processing system, virtually any time we make a change that affects the Disability Determination Services' systems we must modify each of the 54 customized systems individually. After a year of consultation and research with the Disability Determination Services, we plan, with their continued support, to develop and implement a common Disability Case Processing System. This common system will: unify case processing systems; provide a robust application to support timely national implementation of process and policy changes; and position us to leverage the changes in Health Information Technology. It will also incorporate additional functionality, such as decision support tools, improved quality checks, high availability, and improved management information.

Adapt Our Systems to Health Information Technology: In partnership with other agencies, health care providers, and insurers, we will collaborate to create a standardized electronic format for all participants to store and transmit medical records. We will also collaborate to establish uniform diagnostic codes and medical report formats that will allow us to not only identify disabling conditions more quickly and automatically, but also to search our vast database of medical records to track trends in disability cases and design more objective methods to identify disabling conditions.

In FY 2008, as an initial step into the Health Information Technology initiative, we began testing an automated process to request and receive medical data from a Boston hospital. Under this process, when an individual who is being treated at that hospital applies for disability benefits, our system will automatically send out a medical records request to the hospital. Almost immediately, the hospital will electronically transmit back to us the individual's medical records. Our early receipt of this evidence will speed up our process and permit us to start evaluating the alleged disability right away. This collaboration also will test decision support tools that interpret medical data and recommend actions for the decision-maker's consideration.

Improve Our Retiree and Other Core Services

The public expects secure, convenient, and easy-to-use electronic services as they become more comfortable conducting business electronically, both via the Internet and telephone. With millions of baby boomers becoming eligible for Social Security benefits over the next 20 years, we need to further enhance and expand service options to handle the unprecedented growth in demand for our traditional services. One of our priorities is to increase our electronic services by making optimal use of technology. With more electronic services we can increase the speed, accuracy, and efficiency of our operations as well as provide the public with more service choices. To achieve the goal of complementing our traditional services, we will focus on the following objectives.

Dramatically Increase Baby Boomers' Use of Our Online Retirement Services

Introduce Ready Retirement: *Ready Retirement*, a transformational initiative that we will introduce in FY 2009, will fully streamline the processing of retirement applications and enhance customer service using technology by:

- Simplifying the filing process for retirement benefits;
- Shortening online filing time by half an hour (from an average of 45 minutes to only 15 minutes);
- Asking only those essential questions to which we do not have the answers in one of our systems or databases; and
- Using prompts, streaming video and other techniques to make the online experience easier, faster, and more user-friendly.

We streamlined policy requirements to simplify the verification process such as having individuals submit evidence of age or citizenship unless their allegations and the information in our records differ. This eliminates the need for most individuals to visit their local field offices to provide a copy of their birth certificate. We also eliminated the need for documentation of any marriages that are not material to individuals' entitlement.

Provide Internet Tools to Plan for Retirement: Individuals need the ability to obtain convenient and accurate retirement information via the Internet. In July 2008, we launched our new online [Retirement Estimator](#). This secure and interactive tool not only provides immediate, highly accurate, and personalized benefit estimates online, it also allows users to compare different retirement options. The *Retirement Estimator* is an invaluable tool to help the public plan and save for their retirement. We will continue to refine and enhance our *Retirement Estimator* based on feedback from users.

Provide Individuals with Accurate, Clear, Up-To-Date Information

Improve Notices: In FY 2008, we established a notice improvement office to assess and improve our notices. Notice correspondence is our most common form of service delivery. As such, it is critical that notices are clear, concise, and easily understood so individuals do not need to call or visit us to clarify the information in the notice. Since we issue 350 million notices annually, this initiative will remain a priority for us over the long term.

Provide Claim Status via the Internet: We will develop a means for individuals to follow the progress of their applications using the Internet. This service should significantly reduce the two million calls we receive annually from individuals requesting the status of their claims.

Explore Online Access to Social Security Information: We will explore the feasibility of providing individuals with secure online access to their personal Social Security information. This would enable individuals to access earnings history, direct deposit data, Social Security benefit payment history, and Medicare entitlement and premium information directly from our records. We will work closely with our privacy and authentication experts as we explore the feasibility of this online feature.

Improve Our Telephone Service

To meet future demands for telephone service, we need to replace our aging field office telephone equipment with more advanced technology. We will accomplish this by implementing Voice over Internet Protocol, more commonly referred to as VoIP. This technology provides both callers and our employees more choices when conducting business by telephone. It will support our website visitors by providing a “click-to-talk” option to enable individuals to interact with our telephone agents while conducting business with us online. VoIP will also help us manage our phone workloads. For example, if an office experiences a spike in call volumes, we will be able to redirect calls to a second site. We have already begun transitioning the first field office locations to VoIP and expect to complete the rollout to all offices by 2012. We also plan to replace our National 800 Number infrastructure with VoIP in 2010.

Improve Service for Individuals Who Visit Field Offices

Pilot Visitor Intake Process Touch Screen Kiosks: We will pilot the use of kiosks in field office reception areas to provide a modern, fast, and user-friendly way for the public to register the reason for their visit so we can direct them to the appropriate representative while protecting their privacy. The kiosks will incorporate touch screen technology similar to airport kiosks that many airline travelers use.

Test Social Security TV: We are testing an internal TV system in the reception areas of 17 field offices. The high-definition TVs, using up-to-date graphics, broadcast Social Security, local weather, and traffic information to individuals in our reception areas. While visitors wait, they can watch the TV providing them with general Social Security information, as well as specific information on documents/proofs needed to obtain an original or replacement Social Security card. We can modify programs to adapt to specific locations, types of service, and language needs. We conducted surveys to gather input from visitors and managers in the pilot field offices and expect to have the results compiled by the end of 2008. In FY 2009, we will improve messages and the visual displays, and based on survey results, we will decide whether to expand this service to additional field offices.

Use of Personal Computers in Reception Areas: We are testing the placement of personal computers in 15 field office reception areas. Visitors will use the computers to connect to our website, and with our support, use our online services to complete their business. We plan to expand this pilot to 42 additional sites to gain additional insight into this service before making a decision on further expansion.

Improve Field Office Reception Areas: Survey results show that the public wants a comfortable and pleasant reception area. To address this, we are making adjustments in field office reception areas, such as new layouts, seating, privacy, signage, and other small, but important, enhancements to make visiting a field office a better experience.

Expand Video Conferencing: We will continue to expand the use of video conferencing to serve individuals in rural areas. Video conferencing offers individuals a convenient, secure, and low cost option for obtaining a full range of services equivalent to face-to-face services. In FY 2008, we tested video conferencing in the Denver Region. In FY 2009, we will pilot video conferencing in 21 sites nationwide. Video conferencing will allow us to serve individuals efficiently while saving costs.

Process Our Social Security Number Workloads More Effectively and Efficiently

Strengthen Our Modernized Enumeration System: We refer to the process of assigning and issuing Social Security Numbers as enumeration. We are in the process of a major overhaul of our system that will allow us to handle increased enumeration workloads more efficiently. Our plans include assessing the feasibility of building an online application for individuals to request replacement Social Security cards. We are also looking at opportunities to use telephone and video alternatives for assigning and issuing Social Security Numbers.

Open Social Security Card Centers: Social Security Card Centers are facilities with trained, specialized staff who handle only Social Security Number-related business. In March 2008, we opened our sixth card center. The card center is located in Orlando, FL. Residents in designated zip codes must go to this card center to transact all Social Security Number-related business. We are opening another Social Security Card Center in November 2008 in Sacramento, CA, and plan to open an additional four centers in 2009.

Encourage Use of the Social Security Number Verification Service: The Social Security Number Verification Service allows employers to determine, almost instantaneously, if the reported name and Social Security Number of an employee matches our records. The service, however, does not verify work eligibility. We will continue to encourage employers to use this free, Internet-based service which will help minimize fraud, reduce Social Security Number misuse and identity theft, and ensure the accuracy of earnings records.

Support E-Verify: E-Verify is a voluntary program administered by the Department of Homeland Security that allows participating employers to verify electronically the employment eligibility of newly hired employees. When FY 2008 ended, more than 88,000 employers participated in E-Verify. We support the E-Verify program and continue to work with the Department of Homeland Security to improve the operation of the current system in order to make it more efficient for employers. For more information about E-Verify, see www.dhs.gov/E-Verify.

Expand Enumeration-at-Entry: Enumeration-at-Entry allows certain non-citizens who enter the United States to apply for a Social Security Number with the Department of State at the same time that they apply for a visa. We are working with the Department of State and the Department of Homeland Security to expand this process so more non-citizens may take advantage of this service.

Implement Use of Auto Cards: Changes in alien and citizenship status frequently require a replacement Social Security card with a different legend or name. When the Department of Homeland Security notifies us of these changes, we will automatically and securely update our records and send a replacement card directly to the individual. We are part of an interagency workgroup to begin the planning and analysis for using Auto Cards in three specific situations: 1) when a non-U.S. citizen is first authorized to work; 2) when a non-U.S. citizen changes status to a legal permanent resident; and 3) when an individual becomes a naturalized citizen.

Preserve the Public's Trust in Our Programs

Individuals who contribute to the Social Security Trust Funds through payroll deductions and self-employment taxes, or pay income taxes, must be confident we manage their tax dollars wisely. Likewise, those receiving Social Security or Supplemental Security Income must be sure we pay their benefits timely and accurately. As stewards, we are obligated to maintain the confidentiality and security of all information entrusted to our care. Taxpayers and members of the public want assurances that we are carrying out these obligations and that we run our operations efficiently and wisely. We have earned the public's trust, and we intend to do everything we can to keep it. The following sections outline our plans to retain public trust in the integrity of our programs.

Curb Improper Payments

With timely and adequate funding, we will increase our program integrity workloads. We will conduct more continuing disability reviews and Supplemental Security Income non-disability redeterminations. These reviews, which are very cost effective, allow us to detect and prevent improper payments and determine if factors affecting eligibility or monthly benefit amounts have changed. For example, our experience shows that continuing disability reviews and redeterminations produce program savings far in excess of administrative costs, because every \$1 spent on these reviews produces a \$10 return.

Ensure Privacy and Security of Personal Information

To continue safeguarding the privacy of the personally identifiable information maintained in our records, we will improve our encryption practices for data moving outside our facilities and networks, strictly control access to systems containing such information, and train employees and contractors and hold them accountable for safeguarding this information. We will also conduct rigorous annual security reviews of systems and programs and ensure our data exchange activities adhere to *National Institute of Standards and Technology* requirements.

Maintain Accurate Earnings Records

Each year, we process and post nearly 270 million reports of earnings to individuals' records. However, our aging earnings system will be unable to keep up with increasing volumes. To address this, we will redesign our earnings system to provide greater flexibility along with the improved accuracy and timeliness necessary to process this ever-growing workload. The *Earnings – The Next Generation* initiative will improve the speed and accuracy of wage reporting, improve our internal handling of wage reports, and significantly reduce both internal and external paper processing. We will also continue to issue annual *Social Security Statements* to eligible individuals age 25 and older so they may review their earnings record for accuracy and completeness.

Simplify and Streamline How We Do Our Work

While we continue to improve productivity year after year, productivity improvements alone cannot overcome the workload challenges we face. Our processes, policies, and regulatory and statutory requirements are oftentimes complicated and difficult to explain to the public, and years of legislation and litigation have made our requirements even more complex. We will establish a broad-based effort to analyze our workloads, simplify how we do our work, ensure consistency in our service, and improve our process flow and speed. We will also work with Congress and all stakeholders to simplify our statutory and regulatory requirements.

Protect Our Programs from Waste, Fraud, and Abuse

Social Security programs are a tempting target for fraud and abuse because of the value of monthly payments and the additional benefits of entitlement to such programs as Medicaid, Medicare, and the Supplemental Nutrition Assistance Program. Cases of fraud receive wide publicity and can diminish the public's confidence in our programs. A strong fraud detection and prevention program is critical to deterring those contemplating fraudulent activities and to demonstrating that we take fraud seriously. Through an ongoing partnership with our Office of the Inspector General, we have worked to reduce the instances of fraud and have vigorously pursued the prosecution of individuals and groups who commit fraud.

Also in partnership with our Office of the Inspector General, we will continue to expand our Cooperative Disability Investigations program, one of our most successful anti-fraud initiatives. Our Cooperative Disability Investigation units, located in 17 states, investigate allegations of fraud and abuse related to the disability program. As funding allows, we will continue to expand these units.

Use "Green" Solutions to Improve Our Environment

We have a responsibility to conduct business in an efficient, economical, and environmentally sound manner. "Going green" benefits the environment and saves taxpayer dollars by minimizing waste and reducing energy consumption. For years, we have implemented projects benefiting the environment such as recycling and powering our vehicles with alternative fuels. We will continue our tradition of "going green" in ways such as reduced petroleum and water consumption, and we will build or renovate our facilities in accordance with environmentally sustainable strategies.

THE PRESIDENT'S MANAGEMENT AGENDA

The *President's Management Agenda* is the President's strategy for improving the management and performance of the federal government with a focus on results. The Agenda contains five government-wide initiatives. The Office of Management and Budget releases a quarterly scorecard that rates agencies' progress and overall status on these five initiatives using a color-coded grading scale: ● Green for success, ● Yellow for mixed results, and ● Red for unsatisfactory. Our FY 2008 Fourth Quarter Scorecard results are shown below:

● Progress	Strategic Management of Human Capital	Status ●
Recruit, develop, and retain a skilled, knowledgeable, diverse, and high-performing workforce that is achieving desired results aligned to the agency's mission and strategic objectives.		
● Progress	Commercial Services Management	Status ●
Improve the performance of commercial activities, either through competition or through appropriate business process reengineering, including initiatives to create high performing organizations.		
● Progress	Performance Improvement Initiative	Status ●
Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is better control of resources and greater accountability over results.		
● Progress	Expanded Electronic Government	Status ●
Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation) so that Americans can receive high-quality government service.		
● Progress	Improved Financial Performance	Status ●
Maintain world-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.		

The *President's Management Agenda* also contains agency-specific program initiatives. We are a designated agency for the following two initiatives. Using the same color-coded grading scale as the government-wide initiatives, our FY 2008 Fourth Quarter scores were as follows:

● Progress		Status ●
Measure improper payments on an annual basis, develop improvement targets and corrective actions, and track results annually to ensure corrective actions are effective.		
● Progress	Health Information Quality and Transparency	Status ●
Participate in the development of health industry standards for electronic medical records and develop partnerships with federal and private industry providers to promote use.		

The Health Information Quality and Transparency is a new program initiative for us, with our first scores published in the FY 2008 Fourth Quarter scorecard.

For more information on the *President's Management Agenda* and our complete scorecard, please go to www.whitehouse.gov/results/agenda.

PROGRAM ASSESSMENT RATING TOOL

The *Program Assessment Rating Tool* (PART) is a diagnostic tool that the Office of Management and Budget uses to examine different aspects of program performance to identify the strengths and weaknesses of a given federal program. The Office of Management and Budget assessed the Social Security Disability Insurance program in 2003, the Supplemental Security Income program in 2004 and in 2007, and the Old-Age and Survivors Insurance program in 2006. These assessments are online at ExpectMore.gov.

The findings from these program assessments are consistent with many of the priorities we identified as requiring attention. We continue to work with the Office of Management and Budget to ensure that plans are developed, implemented, and updated to improve program performance and address the following PART findings:

SOCIAL SECURITY DISABILITY INSURANCE PROGRAM:

- Simplify the process to improve the accuracy and speed of deciding if an individual is disabled;
- Test several demonstration projects and remove barriers to assist individuals receiving disability benefits in returning to work; and
- Publish rules to update the way age is considered in making disability determinations and consider other rule changes.

SUPPLEMENTAL SECURITY INCOME PROGRAM:

- Simplify the process to improve the accuracy and speed of deciding if an individual is disabled;
- Offer individuals with disabilities a wide range of employment opportunities; and
- Address payment accuracy issues by developing proposals to simplify the program's eligibility rules.

OLD-AGE AND SURVIVORS INSURANCE PROGRAM:

- Educate the public on the solvency issues facing the program and work with the Administration and Congress on legislative reform proposals necessary to achieve long-term solvency;
- Update the tactical plan for electronic services to include information technology and non-information technology projects that will be developed and implemented in subsequent fiscal years; and
- Develop new automated techniques to detect and correct errors in name/Social Security Number matching.

Our *Strategic Plan*, *Annual Performance Plan*, and budget requests all address the assessment findings. We provide performance measures and targets that we and the Office of Management and Budget use to evaluate the effectiveness of the Social Security Disability Insurance, Supplemental Security Income, and Old-Age Survivors Insurance programs. In FY 2008, we had 15 PART performance measures. Ten of these were also *Government Performance and Results Act* performance measures which we indicate as such in the *Performance Summary of Goals and Results* on page 16 and in the *Performance Section* beginning on page 44. Five were PART-only performance measures which we discuss beginning on page 71 in the *Performance Section*.

HIGHLIGHTS OF FINANCIAL POSITION

OVERVIEW OF FINANCIAL DATA

We received an unqualified opinion on our financial statements from the independent audit firm PricewaterhouseCoopers, LLP. These statements combined the results from the programs we administer. These programs include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate funds which are financed by payroll taxes, interest on investments, and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury. Our financial statements, notes, and additional information appear on pages 89 through 142 of this report.

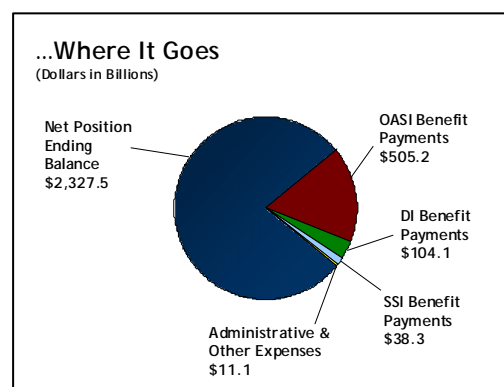
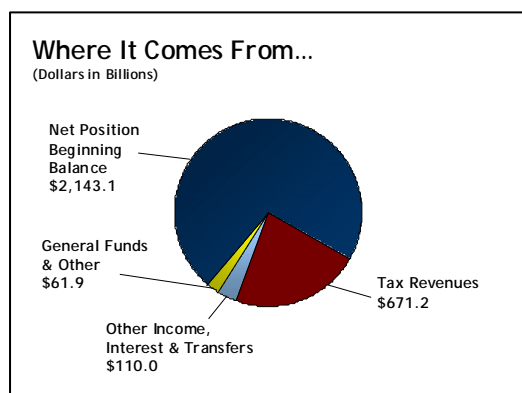
BALANCE SHEET: The Balance Sheet displayed on page 90 reflects total assets of \$2,414.7 billion, an 8.5 percent increase over the previous year. Of the \$2,414.7 billion in assets, \$2,325.3 billion primarily relates to earmarked funds for the OASI and DI programs. Approximately 98.0 percent of assets are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$185.0 billion growth (8.5 percent) in investments from 2007 is primarily due to tax revenues of \$671.2 billion and interest on those investments of \$115.1 billion, exceeding the cost of operations of \$658.4 billion. The majority of our liabilities, 83.9 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Liabilities grew in 2008 by \$3.9 billion (4.7 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$184.4 billion or 8.6 percent to \$2,327.5 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 62.2 percent of the growth of the investments, up from 58.1 percent in 2007.



STATEMENT OF NET COST: Net cost of operations increased 5.7 percent or \$35.6 billion from \$622.8 billion in 2007 to \$658.4 billion in 2008. This increase in the net cost of operations is primarily due to the first wave of baby boomers attaining retirement age. Of this increase, \$35.1 billion (5.7 percent growth) resulted from increased benefit payments and \$590 million (5.6 percent increase) resulted from increased operating expenses. The net cost and benefit payments of the OASI program grew 5.1 and 5.0 percent, respectively, while operating expenses grew by 9.0 percent. The number of OASI beneficiaries grew 1.5 percent to 41.5 million while average benefit payments grew by 3.5 percent to \$1,023.88 per month. The net cost and benefit payments of the DI program grew 6.8 percent and 6.9 percent, respectively. Operating expenses increased by 5.5 percent. The number of DI beneficiaries grew by 3.5 percent while average benefits increased 2.9 percent to \$863.67 per month.

The net cost and benefit payments of the SSI program increased 11.3 percent and 12.3 percent, respectively. The increase is primarily due to SSI having 12 months of benefit payment activity in FY 2008, versus 11 months of activity in FY 2007. There were only 11 months of activity in FY 2007 because October 1, 2006, was on a Sunday so the benefit payment for October was accelerated into September 2006. Operating expenses increased by 0.5 percent. The number of SSI beneficiaries grew by 2.1 percent while maximum benefits increased by 2.3 percent to \$637 per month. The operating expenses of the Other program, which consists primarily of administrative expenses charged to the Hospital Insurance and Supplemental Medical Insurance Trust Funds, grew by 9.2 percent.

STATEMENT OF CHANGES IN NET POSITION: The Statement of Changes in Net Position reflects an increase of \$184.4 billion in the net position of the agency. This increase is primarily attributable to a \$185.0 billion increase in investments. At this time, tax revenues continue to exceed benefit payments. The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the funds we were provided in FY 2008 and how these funds were used. These statements are displayed on pages 91 and 92, respectively. Most resources available to us were used to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Administrative expenses as a percent of benefit expenses is 1.7 percent. In 2008, total financing sources grew by \$33.4 billion or 4.1 percent from \$809.4 billion in 2007 to \$842.8 billion in 2008. The primary sources for this growth were a payroll and income tax revenue increase of \$23.8 billion (3.7 percent) from 2007 and an investment income increase of \$6.6 billion (6.1 percent) from 2007. The growth in investment income was due to increasing assets of the combined OASI and DI Trust Funds and an increase in the average interest yield from 6.59 percent to 7.85 percent.

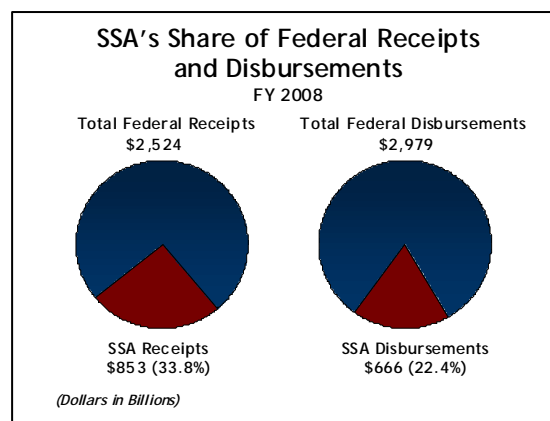


STATEMENT OF BUDGETARY RESOURCES: This statement displayed on page 93 shows that we had \$699.7 billion in budgetary resources of which \$2.9 billion remained unobligated at year-end. We recorded total net outlays of \$657.8 billion by the end of the year. Budgetary resources grew \$34.8 billion, or 5.2 percent from 2007, while net outlays increased \$36.0 billion, or 5.8 percent.

STATEMENT OF SOCIAL INSURANCE: Effective for FY 2006 and thereafter, Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals, and the difference between the income and cost. The Statement of Social Insurance displayed on page 94 for the Social Security programs covers a period of 75 years in the future and the information and disclosures presented are deemed essential to fair presentation of our financial information.

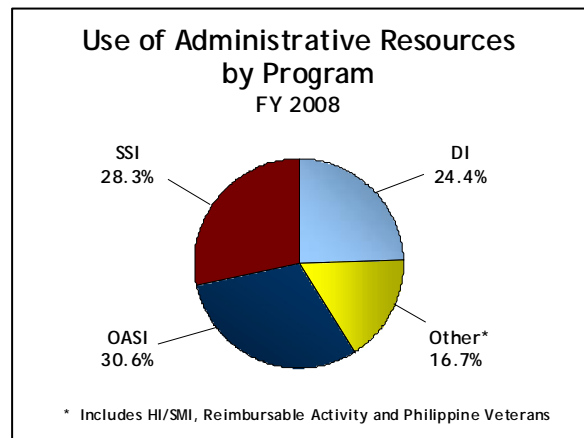
SSA'S SHARE OF FEDERAL OPERATIONS

The programs we administer constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Receipts for our programs represented 33.8 percent of the \$2.5 trillion in total Federal receipts, an increase of 2.6 percent over last year as Federal income tax collections grew more rapidly than payroll taxes. Disbursements decreased by 0.6 percent to 22.4 percent of Federal disbursements.



USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2008 in terms of the programs we administer or support. Although the DI program comprises only 16.1 percent of the total benefit payments we make, it consumes 24.4 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.9 percent of the total benefit payments we make, it consumes 28.3 percent of annual administrative resources. State Disability Determination Services process claims for DI and SSI disability benefits and render decisions on whether the claimant is disabled. In addition, we are required to perform continuing disability reviews of many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2007 use of administrative resources by program was 29.6 percent for the OASI program, 24.5 percent for the DI program, 29.8 percent for the SSI program, and 16.1 percent for Other.



OASI AND DI TRUST FUND SOLVENCY

PAY-AS-YOU-GO FINANCING

The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance, has grown from 37.5 months at the end of FY 2004 to an estimated 43.8 months at the end of FY 2008, an increase of 17 percent.

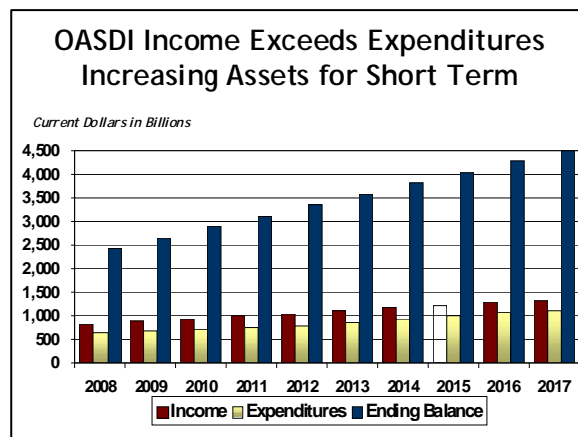
Number of Months of Expenditures Fiscal-Year-End Assets Can Pay ¹					
	2004	2005	2006	2007	2008
OASI	39.9	42.6	44.0	46.3	48.2
DI	25.4	25.0	25.0	24.1	23.1
Combined	37.5	39.6	40.9	42.5	43.8

¹ Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.

Note: Values for 2007 and 2008 are estimates that are based on 2008 Trustees Report intermediate assumptions.

SHORT-TERM FINANCING

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2008 Trustees Report indicate that the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2008 Trustees Report, OASDI estimated expenditures and income for 2017 are 87 percent and 69 percent higher than the corresponding amounts in 2007 (\$595 billion and \$785 billion, respectively). From the end of 2007 to the end of 2017, assets are expected to grow by 100 percent, from \$2.2 trillion to \$4.5 trillion.



LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2017, program cost will exceed tax revenues, and, in 2041, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75-year shortfall is \$4.3 trillion, which is 1.6 percent of taxable payroll and about 0.6 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed – singularly or in combination with each other – are: (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues, or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 127 through 142 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 90 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

SYSTEMS AND CONTROLS

MANAGEMENT ASSURANCES

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT FISCAL YEAR 2008

SSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. SSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, SSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

SSA also conducts reviews of its financial management systems in accordance with OMB Circular No. A-127, Financial Management Systems. Based on the results of these reviews, SSA can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2008.

In addition, SSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of its annual financial statements as well as safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular No. A-123. The results of this evaluation provide reasonable assurance that SSA's internal control over financial reporting was operating effectively as of September 30, 2008.



Michael J. Astrue
Commissioner
November 7, 2008

AGENCY FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT PROGRAM

We have a well-established agency-wide management control and financial management systems program as required by FMFIA. We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;
- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until the weaknesses are corrected.

We have no FMFIA material weaknesses to report this year. Our managers are responsible for ensuring that effective controls are implemented in their areas of responsibility. We require senior-level executives to submit to the Commissioner an annual statement providing reasonable assurance that functions and processes under their areas

of responsibility functioned as intended and that there were no major weaknesses that would require reporting, or a statement indicating that such assurance could not be provided. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement.

Our Executive Internal Control committee, consisting of senior managers and chaired by the Deputy Commissioner, ensures our compliance with the requirements of FMFIA and other related legislative and regulatory requirements. If a major control weakness is identified in the agency, the Executive Internal Control committee determines if the weakness should be considered a material weakness and thus submitted to the agency head for final determination.

We incorporate effective internal controls into our business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by management to certify that the controls are in place. We test the controls prior to full implementation to ensure they are effective.

Management control issues and weaknesses are identified through audits, reviews, studies, and observation of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of our operations and systems to provide an overall assurance that our business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and OMB Circular Nos. A-123, A-127, and A-130.

MANAGEMENT CONTROL REVIEW PROGRAM

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes such as enumeration, earnings, claims and post-entitlement events, and debt management. Reviews are conducted at our field offices, program service centers, hearings offices, and at the state Disability Determination Services.

We contract with an independent public accounting firm to review our management control program, evaluate the effectiveness of the program, and make recommendations for improvement. Annually, the contractor reviews operations at our central office and selected regional offices.

These reviews have indicated that our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

FINANCIAL MANAGEMENT SYSTEMS REVIEW PROGRAM

OMB Circular No. A-127 requires agencies to maintain a Financial Management Systems (FMS) inventory and to conduct reviews to ensure FMS requirements are met. In addition to exclusively financial systems, we also include all major programmatic systems in this FMS inventory. On a 5-year cycle, an independent contractor performs detailed reviews of FMS.

During FY 2008, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Commissioner has determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2008. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2008 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. He also considered the results of the management control reviews and financial management systems reviews conducted by the agency and its independent contractor.

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General contracted with PricewaterhouseCoopers, LLP for the audit of our FY 2008 financial statements. The auditor found that the basic financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The auditor also found that management fairly stated that our internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations or other matters.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to conduct an annual self-assessment review of their Major Information Technology Security Program. This self-assessment includes a report on the agency's Security Testing and Controls program, agency systems inventory, configuration management for all operating platforms, Plan of Actions and Milestones, and security training. The results of this assessment are reported to OMB. An independent contractor's evaluation indicated that our Security Program substantially met the established FISMA requirements. Our OIG also performed an independent review of our compliance with FISMA and also concluded that we had substantially met the FISMA requirements. We submitted our annual FISMA report to OMB on October 1, 2008.

FINANCIAL MANAGEMENT

(Section 52.4(a), OMB Circular No. A-11)

GOALS AND STRATEGIES

The President's Management Agenda (PMA) (www.results.gov) is a coordinated strategy to reform Federal management and improve program performance. The PMA outlines five government-wide initiatives in addition to agency-specific program initiatives. One of the five government-wide targets is to improve financial performance by ensuring that agencies have accurate and timely financial information to manage cost and inform decision-making. Over the years, we have worked hard to improve our financial management practices. We attained a status score of "green" for the Improved Financial Performance PMA initiative as of the third quarter of 2003 and have maintained a "green" status since that time. We continue to develop new initiatives that will enhance the existing financial and management information systems. These actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. Our goal is to maintain the "green" status and to achieve the milestones established for improvement.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

Our FMS inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. We maintain an inventory of twelve FMS that are categorized under the broad categories of Program Benefits, Debt Management, or Financial/Administrative.

We are continuing the long-term development of our FMS following a defined strategy. In the Program Benefits category, we are streamlining the systems and incorporating new legislative requirements, while in the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt. In the Financial/Administrative category, the Social Security Online Accounting and Reporting System, a federally-certified accounting system based on Oracle Federal Financials, was implemented as our System of Record on October 1, 2003. Throughout FY 2008, we continued to exercise the Commercial Off-the-Shelf technology available in this software to integrate agency financial systems that traditionally integrate with the Social Security Online Accounting and Reporting System by providing real-time access to validate accounting information and fund availability. We contracted some of the day-to-day maintenance of the system to Oracle on Demand, which is considered to be a first step in meeting the Financial Management Line of Business requirements by OMB.

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Performance Section

AGENCY PERFORMANCE

INTRODUCTION

Despite overall agency resource constraints and increased workloads in FY 2008, we met 18 of our 20 performance measure targets for which we had end-of-year data. Although we will not have data on six performance measures until FY 2009, at the end of FY 2008, we were on track to meet the targets for these performance measures. We were able to meet our targets because of our dedicated staff, innovative technology initiatives, streamlined procedures, and increased productivity. In FY 2008, we focused our attention and resources on nine strategic objectives that support our four overarching strategic goals to accomplish our mission. We developed 26 performance measures and related targets to track our progress in meeting our goals and objectives. We explained these goals, objectives, measures, and targets in our *Annual Performance Plan for Fiscal Year 2009 and Revised Final Plan for Fiscal Year 2008*. This section of the *Performance and Accountability Report* documents our performance and provides detailed discussions of the actions that enabled us to attain our goals for FY 2008.

The performance data presented in this section comply with the Office of Management and Budget's guidance provided in Circulars A-11 and A-136. The *Data Quality* discussion in the *Overview of our FY 2008 Goals and Results* section (page 22) describes our continuing efforts to enhance the quality and timeliness of our performance data to increase its value to agency management and other interested parties. Our executives routinely use these performance data to improve the quality of program management and to demonstrate accountability in achieving program results.

STATUS OF FY 2008 PERFORMANCE MEASURES BY GOAL AND OBJECTIVE

We list our FY 2008 performance measures in this section and have organized them by strategic goal and objective. Each performance measure listed includes the FY 2008 goal, actual performance, discussion about the measure and target, data definition, and data source. We also include historical data and trend charts for the past 4 years when available. In measures where final FY 2008 data are not yet available, we indicate when they will be available and that we will report our FY 2008 performance in the *Fiscal Year 2009 Performance and Accountability Report*. In addition, we provide data for performance measures discussed in our *Fiscal Year 2007 Performance and Accountability Report* where final FY 2007 data were not available when published, and we report FY 2008 results or provide the status on each Program Assessment Rating Tool measure (pages 71-75). Last in this section we discuss our program evaluations (pages 76-85).

Strategic Goal 1: To deliver high-quality, citizen-centered service

Strategic Objective 1.1: Make the right decision in the disability process as early as possible

1.1a – Percent of initial disability claims receipts processed by the Disability Determination Services up to the budgeted level

FY 2008 Goal: 100% (of receipts up to the budgeted level= 2,582,000)

Performance: 101%* (2,607,282)

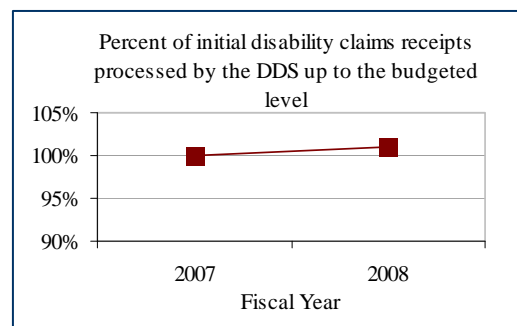
Goal Achieved: Yes

Discussion: Our disability-related workload consumes over half of our operational workyears and is arguably the most complex component of our programs. In FY 2008, we made significant progress in streamlining and improving our disability process to provide more timely and accurate service. For example, for almost all disability claims, we no longer assemble and mail paper folders. By completing the rollout of electronic folders in each step of the disability process, we have eliminated the cumbersome process of printing, filing, and archiving paper folders. We now collect critical case data earlier in the claims process, which allows us to receipt cases and request medical evidence more quickly. We also propagate, validate, and share data electronically throughout all stages of the disability process.

In addition to the electronic disability process, we implemented an initiative that expedites the disability decision. The Quick Disability Determination process accelerates cases where there is a high probability the individual will be approved. In FY 2008, we implemented the Quick Disability Determination process in each of the 54 state and territorial Disability Determination Services, processing more than 44,000 such cases in an average of 8 days. We also prepared for another initiative – Compassionate Allowances – and implemented the first of three phases in October 2008. This initiative will allow for the quick identification of individuals who are clearly disabled by the nature of their disease or condition. In many of these cases, we will allow benefits as soon as the diagnosis is confirmed. Since these initiatives are new territory for us, we do not know the eventual mix of Quick Disability Determination and Compassionate Allowance cases. However, we expect we will be able to ultimately fast-track 6 to 9 percent of our initial disability applications which will benefit nearly 250,000 individuals each year. (Refer to *Agency Priorities as We Move Forward*, page 26, for more information on the Quick Disability Determination process and Compassionate Allowances.)

Trend: This was a new measure for FY 2007.

Fiscal Year	Goal	Performance	Goal Achieved?
2007	100%	100%*	↑
2008	100%	101%*	↑



Data Definition: In the Disability Determination Services, the number of Social Security and Supplemental Security Income initial disability claims receipts processed, including disabled dependents, compared to the number of initial disability claims received in a fiscal year up to the budgeted level.

Data Source: National Disability Determination Services System and the Disability Operational Data Store.

Remarks:

* The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

1.1b – Minimize average processing time for initial disability claims to provide timely decisions*

FY 2008 Goal: 107 days

Performance: 106 days**

Goal Achieved: Yes

Discussion: The timely processing of initial disability claims is a critical aspect of our service delivery to the public. With the implementation of the electronic disability process and increased employee familiarity with the electronic system, we made considerable progress over the past several years in reducing the time it takes to process initial disability claims. To achieve this high level of performance, we continued to improve the disability claims process in both the field offices and the state and territorial Disability Determination Services, including such initiatives as Quick Disability Determinations and updating the *Listings of Impairments* as discussed in the *Agency Priorities as We Move Forward*, page 27. These improvements help us curtail costly and time-consuming development, which in turn enables us to make disability determinations in a more timely fashion.

Trend: This was a new measure for FY 2008.

Fiscal Year	Goal	Performance	Goal Achieved?
2008	107 days	106 days**	↑

Data Definition: This is the fiscal year average processing time for Social Security and Supplemental Security Income disability claims combined. Processing time is measured from the application date (or protective filing date, if applicable) to either the date of the denial notice or the date the system completes processing an award. This includes “revised time,” “transit time,” and “field office, Disability Determination Services, and Disability Quality Branch times,” as well as protective filing times for awarded and medically denied claims.

Note: In FY 2008, only claims that require a medical determination are included in the computation. In prior years, the computation also included claims that were technically denied (e.g., the individual was not insured for benefits). Disability claims that are technically denied at the field office, or claims sent to the Disability Determination Services that are subsequently returned to the field office to be technically denied, are not included in the count. Technical denials are relatively quick decisions and including them unrealistically lowered average processing times. This change provides us with a more accurate count of how long it takes an individual to receive a decision on a disability claim that requires a medical determination. Excluding these technical denials increases average processing time by approximately 20 days. Also excluded are disability claims processed by the Disability Processing Branches in the Program Service Centers and disability claims processed by the Office of Central Operations, the Office of Medical and Vocational Expertise, and the Disability Determination Services in Guam and the U.S. Virgin Islands.

Data Source: Social Security Unified Measurement System.

Remarks:

* This is a Program Assessment Rating Tool measure.

** The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

1.1c – Disability Determination Services (DDS) net accuracy rate for combined initial disability allowances and denials*

FY 2007 Goal: 97%

Performance: 97%** ***

Goal Achieved: Yes

FY 2008 Goal: 97%

Performance: Data available January 2009**

Goal Achieved: To Be Determined (TBD)

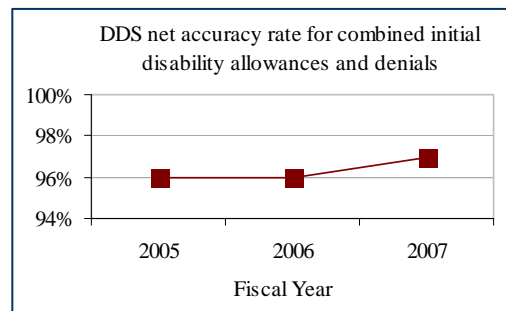
Discussion: We devote substantial resources to improving the accuracy of the initial state Disability Determination Services decisions. The rules and instructions for administering the disability process are very complex, requiring years of experience before a disability examiner becomes fully proficient at evaluating claims. Innovative and electronic enhancements have improved our ability to continue providing accurate and timely disability determinations.

In FY 2008, we began a new process called *Request for Program Consultation* as part of our efforts to improve disability decisional consistency and accuracy. Through this process, we resolve programmatic disagreements between state Disability Determination Services disability examiners and federal quality reviewers on complex policy issues. In cases where there is a substantive disagreement, inter-component panels of staff experts examine the issue and reach consensus. This process allows us to identify issues where training is needed or where policies may not be clear. Once issues are resolved, we post outcomes to an electronic repository that employees can access for future reference. We also implemented the *Enhanced Program Operations Manual System*, a web-based application designed to assist Disability Determination Services employees in obtaining up-to-date policy and procedural information.

In addition, we conducted ongoing quality reviews by randomly selecting both Social Security and Supplemental Security Income disability claims and checking them for consistency and quality. We met the accuracy target for FY 2007 and are on track to meet the FY 2008 target.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	97%	96%***	↓
2006	97%	96%***	↓
2007	97%	97%***	↑
2008	97%	Available January 2009	TBD



Data Definition: Net accuracy is the percentage of correct initial State disability determinations and is based on the net error rate (i.e., the number of corrected deficient cases with changed disability decisions), plus the number of deficient cases not corrected within 90 days from the end of the period covered by the report, divided by the number of cases reviewed.

Note: Deficient cases corrected after the 90-day period are still counted as a deficiency.

Data Source: Disability Quality Assurance Databases.

Remarks:

* This is a Program Assessment Rating Tool measure.

** The performance data shown for FY 2007 was not available at the time we published the *Fiscal Year 2007 Performance and Accountability Report*. Therefore we are reporting the results in the *Fiscal Year 2008 Performance and Accountability Report*. Actual data for FY 2008 will not be available until January 2009, and we will report it in the *Fiscal Year 2009 Performance and Accountability Report*.

*** The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

1.1d – Achieve the budgeted goal for SSA hearings processed (at or above the FY 2008 goal)

FY 2008 Goal: 559,000

Performance: 575,380

Goal Achieved: Yes

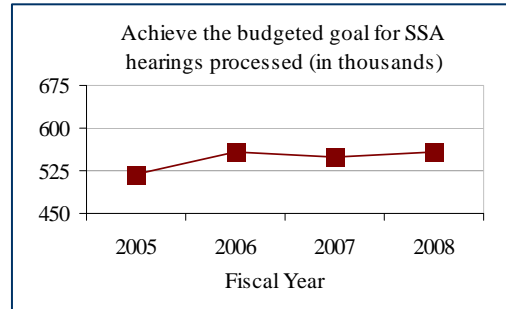
Discussion: Since the issuance of our plan to eliminate the hearings backlog, we have taken an aggressive approach to implementing numerous initiatives focused on improving hearing office procedures, increasing adjudicatory capacity, and increasing efficiency with automation and improved business processes. In FY 2008, although challenged by receipts above projected levels and the loss of administrative law judges through attrition, we met this goal by processing over 16,000 more hearings requests than projected. We continued to improve our hearing level efficiency by:

- Hiring 190 new administrative law judges;
- Increasing use of video hearings to minimize travel to hearing sites for individuals, their representatives, and administrative law judges;
- Operating a fully electronic National Hearing Center to provide flexibility in addressing our backlog and targeting assistance to heavily backlogged areas across the country;
- Creating a centralized administrative law judge staff to conduct video hearings for offices with the largest backlog of work;
- Authorizing attorney adjudicators to review cases early in the hearings process and issue favorable decisions when appropriate;
- Establishing individual annual expectations for administrative law judges, asking each judge to issue 500 to 700 hearing decisions each year;
- Rolling out a centralized printing and mailing process for all hearing level notices;
- Implementing the *Findings Integrated Template*, a decision-writing tool that offers a detailed decisional outline for a wide variety of claims; and
- Developing numerous enhancements to hearing office electronic processing systems.

Refer to *Agency Priorities as We Move Forward*, pages 24-26, for more information about improving hearing office procedures and reducing the hearings backlog. In addition, our *Plan to Reduce the Hearings Backlog and Improve Public Service at the Social Security Administration* is available at <http://www.ssa.gov/hearingsbacklog.pdf>, and the *Plan to Eliminate the Hearing Backlog and Prevent Its Recurrence Semiannual Report for Fiscal Year 2008* is located at http://www.ssa.gov/appeals/Backlog_Reports/Semiannual_Report%20FY%2008b.pdf.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	525,000	519,359	↓
2006	560,000	558,978	↓
2007	555,000	547,951	↓
2008	559,000	575,380	↑



Data Definition: SSA hearings processed by the Office of Disability Adjudication and Review.

Note: The *Annual Performance Plan for Fiscal Year 2009 and Revised Final Performance Plan for Fiscal Year 2008* did not specify that SSA hearings processed included Appeals Council remands. We will include clarifying language to the *Revised Final Performance Plan for Fiscal Year 2009*.

Data Source: Case Processing and Management System.

1.1e – Maintain the number of SSA hearings pending (at or below the FY 2008 goal)

FY 2008 Goal: 752,000

Performance: 760,813

Goal Achieved: No

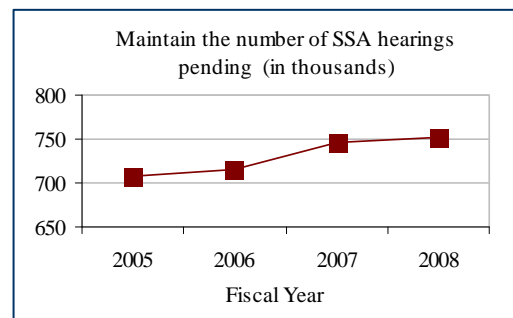
Discussion: In FY 2008, we received more hearing requests than ever (589,449) and exceeded our projected receipts by more than 26,000 requests. In addition to receiving more hearing requests than expected, other factors, such as attrition of administrative law judges and reduced productivity resulting from the training and mentoring of 190 new administrative law judges, affected our ability to keep up with the pace of new hearing requests. Furthermore, our first priority was to concentrate on processing our large number of aged pending cases. These cases require a significantly greater amount of time to develop, analyze, and process than cases that have been pending for shorter periods because of the amount of time that has elapsed between the date the individual filed for benefits and the date of hearing. In FY 2008, we expended substantial resources to process the most aged cases before the close of the fiscal year by focusing on 135,160 hearings that would be pending 900 days or more by the end of the fiscal year. Our efforts resulted in the successful processing of 99.8 percent of these aged cases.

In FY 2008, we also implemented new initiatives, such as allowing attorney adjudicators to issue fully favorable decisions and realigning our hearing office service areas, increasing our abilities to process more hearings. These initiatives, along with others we introduced in FY 2007, such as streamlining the folder assembly process for pending paper cases to expedite case preparation for hearing, as well as remanding cases to the state Disability Determination Services to re-open cases and issue fully favorable determinations where appropriate, enabled us to further increase our hearing dispositions.

Refer to 1.1d – *Achieve the budgeted goal for SSA hearings processed*, as well as *Agency Priorities as We Move Forward*, pages 24-26, for more information about how we addressed this performance measure.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	714,000	708,164	↑
2006	756,000	715,568	↑
2007	738,000	746,744	↓
2008	752,000	760,813	↓



Data Definition: SSA hearings pending in the Office of Disability Adjudication and Review.

Note: The data definition was stated incorrectly in the *Annual Performance Plan for Fiscal Year 2009 and Revised Final Performance Plan for Fiscal Year 2008* as “SSA hearings processed by the Office of Disability Adjudication and Review.” We will correct this in the *Annual Performance Plan for Fiscal Year 2010 and Revised Final Performance Plan for Fiscal Year 2009*.

Data Source: Case Processing and Management System.

1.1f – Achieve target percentage of hearing level cases pending over 365 days*

FY 2008 Goal: 56%

Performance: 37%

Goal Achieved: Yes

Discussion: Eliminating the hearings backlog and preventing its recurrence is our highest priority. In addition, we were very committed to processing our aged hearings cases (pending 900 days or more) in FY 2008, discussed in 1.1e – *Maintain the number of SSA hearings pending* and 1.1g – *Achieve target percentage of hearing level cases pending 900 days or more*, while at the same time, reducing cases pending over 365 days to prevent additional cases from becoming backlogged and aged. Our FY 2008 budget allowed us to hire additional administrative law judges and hearing office support staff to process more hearings and focus on cases pending over 365 days. We continued to build on successful strategies (as described in measures 1.1d – *Achieve the budgeted goal for SSA hearings processed*, and 1.1e) that contributed to reducing the percentage of cases pending over 365 days to 37 percent at the end of FY 2008 as compared to our target level of 56 percent.

Refer to *Agency Priorities as We Move Forward*, pages 24-26, for more information about our initiatives for eliminating the hearings backlog and reducing aged cases.

Trend: This was a new measure for FY 2008.

Fiscal Year	Goal	Performance	Goal Achieved?
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2008	56%	37%	↑
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Data Definition: Measured from the date of request for hearing, this represents the number of cases that have been pending for more than 365 days as a percentage of the total number of cases pending at the hearing level. Included in the pending caseload would be remands as well as postentitlement actions. Remands are measured from the remand order date. A remand is an order by either the Appeals Council or a Federal Court returning a claim to a previous level decision-maker for further action. Cases may be remanded for various reasons including: new evidence submitted with an appeal; a change in regulations; an error of law by the previous decision-maker; or an abuse of discretion.

Data Source: Case Processing and Management System and Disability Adjudication Reporting Tools.

Remarks:

* This is a Program Assessment Rating Tool measure.

1.1g – Achieve target percentage of hearing level cases pending 900 days or more

FY 2008 Goal: Less than 1% of universe of over 900 day cases pending

Performance: 0.2%

Goal Achieved: Yes

Discussion: We redefined our aged case goal for FY 2008 to cases that would be 900 or more days old by the end of the year and began the year with 135,160 cases that met the criteria. Through continuing emphasis and monitoring, as of September 30, 2008, we reduced the number of hearing cases pending 900 or more days to 281 or 0.2 percent, thereby meeting our target.

This performance measure links to performance measures 1.1e – *Maintain the number of SSA hearings pending* and 1.1f – *Achieve target percentage of hearing level cases pending over 365 days*. Refer to the *Discussion* section of these performance measures for additional information.

Trend: This was a new measure for FY 2008.

Fiscal Year	Goal	Performance	Goal Achieved?
2008	<1%	0.2%	↑

Data Definition: Cases pending over 900 days or more include all cases which are, or will be, pending over 900 days during FY 2008, measured from request for hearing date or date of remand (whichever is later), except those cases that fall within an exception, such as prison cases.

Data Source: Case Processing and Management System.

1.1h – Achieve the budgeted goal for average processing time for hearings*

FY 2008 Goal: 535 days

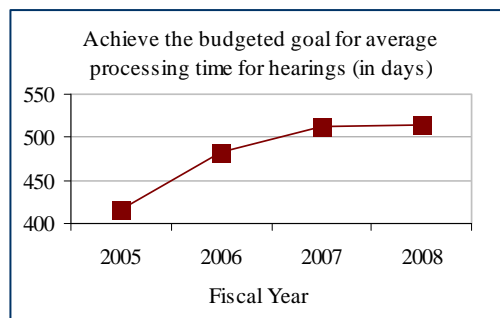
Performance: 514 days

Goal Achieved: Yes

Discussion: We recognized that our efforts to process our oldest cases would likely inflate overall hearings average processing time. To compensate for this, we modified our FY 2008 hearings average processing time goal to 535 days – 11 more days than our FY 2007 goal. However, as a result of our hearings reduction initiatives and our constant monitoring, average processing time did not increase in FY 2008 as projected and ultimately was 21 fewer days than our targeted goal.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	442 days	415 days **	↑
2006	467 days	483 days	↓
2007	524 days	512 days	↑
2008	535 days	514 days	↑



Data Definition: The average elapsed time, from the hearing request date until the date of disposition, for cases at the hearing level (disability and non-disability cases) processed during all months of the fiscal year. Remands are measured from remand order date.

Data Source: Case Processing and Management System.

Remarks:

* This is a Program Assessment Rating Tool measure.

** FY 2005 included Medicare hearings. Beginning in FY 2006, Medicare hearings were no longer included as the Centers for Medicare and Medicaid Services assumed this workload.

1.1i — Achieve the budgeted goal for average processing time for requests for review (appeals of hearing decisions)

FY 2008 Goal: 242 days

Performance: 238 days

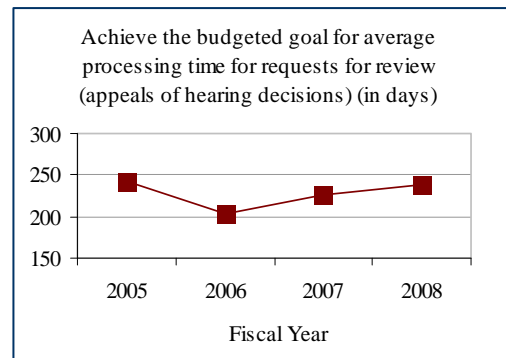
Goal Achieved: Yes

Discussion: As with hearings, in FY 2008 we focused on eliminating the oldest cases at the Appeals Council. Older cases negatively affect processing time since they are often more complex and take longer to process, but there is a positive trade-off in service to those who have been waiting the longest for a decision.

We were able to reach our target level by balancing workloads and identifying and clearing incoming cases ready for immediate processing. In addition, we developed and implemented the *Appeals Review Processing System*, which allows the Appeals Council to process electronic folder cases. We completed training staff and managers on this new system in February 2008. Major benefits of the new system include agency-wide access to the Appeals Council case control system and the ability of the Appeals Council to work in a fully electronic environment. This process change should maximize productivity and timeliness of Appeals Council decisions. Anticipating future increased workloads, the Appeals Council is concentrating on significantly reducing pending aged cases. As a result of these initiatives, the overall processing time was higher this fiscal year than last. However, by balancing workloads and triaging cases ready for immediate processing, the average processing time remained below the targeted level.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	250 days	242 days	↑
2006	242 days	203 days	↑
2007	242 days	227 days	↑
2008	242 days	238 days	↑



Data Definition: The 12-month average processing time for decisions on appeals of hearings. Monthly processing time is calculated as an average over the course of the fiscal year.

Processing time begins with the date of the request and ends when the date the disposition is entered into the *Appeals Council Automated Processing System*, which is the date the decision is date stamped, released, and mailed.

Data Source: *Appeals Review Processing System*. Prior to March 2008, the data source was the *Appeals Council Automated Processing System*.

1.1j – Decrease the number of pending requests for review (appeals of hearing decisions) over 365 days

FY 2008 Goal: 28%

Performance: 22%

Goal Achieved: Yes

Discussion: We have focused on eliminating the older cases at all levels of adjudication, including the Appeals Council level. As pointed out in measure 1.1i – *Achieve the budgeted goal for average processing time for requests for review*, older cases negatively affect processing time since they are often more complex and take longer to process. A slight decrease in appeals receipts between FYs 2007 and 2008, along with the conversion to the *Appeals Review Processing System*, helped us to reduce the number of requests for review pending over 365 days at the end of FY 2008 to 22 percent compared to our target level of 28 percent.

Trend: This was a new measure for 2008.

Fiscal Year	Goal	Performance	Goal Achieved?
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2008	28%	22%	↑
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Data Definition: The indicator is calculated by dividing the total number of aged requests for review by the total number of pending requests for review. Aged requests for review are those cases where more than 365 days have elapsed since the date of the request for review.

Data Source: *Appeals Review Processing System*. Prior to March 2008, the data source was the *Appeals Council Automated Processing System*.

Strategic Objective 1.2: Increase employment for people with disabilities by expanding opportunities

1.2a – Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets in use, who work*

FY 2007 Goal: 44,611 (80% over calendar year 2004 baseline)

Performance: 59,443**

Goal Achieved: Yes

FY 2008 Goal: Establish a new baseline from which to measure future performance

Performance: On schedule**

Goal Achieved: To Be Determined

Discussion: Through the *Ticket to Work* program, individuals who receive disability benefits receive a voucher or ticket they can take to an Employment Network or State Vocational Rehabilitation agency that provides support services to help disabled individuals obtain and keep a job. For those months where cash benefits stop because of work or earnings, Employment Networks or State Vocational Rehabilitation agencies receive a payment based on a percentage of savings to the agency.

A critical element of our overall strategic objective to increase employment for individuals with disabilities by expanding opportunities is to educate employers and the public about our work incentives, employment support programs, and the benefits of the *Ticket to Work* program. One method of providing information to individuals receiving disability benefits is the Work Incentive Seminar Events hosted by our community-based *Work Incentives*

Planning and Assistance Programs. These outreach events bring together disabled individuals, our Area Work Incentive Coordinators, employment providers, and other public and private partners in local communities. We are also conducting general outreach and presenting information on our employment support programs at national and state conferences that bring together individuals receiving disability benefits, our *Work Incentives Planning and Assistance Programs*, our internal Area Work Incentive Coordinators, and other federal and state Employment Network partners. From April through August 2008, 952 people attended 61 Work Incentive Seminar Events in 25 states in which 207 Employment Networks participated. We also conducted 43 outreach and recruitment events through July 2008 and have planned 43 additional Work Incentive Seminar Events through November 2008. So far, these outreach and recruitment events have had close to 9,500 attendees at the live events and 2,429 at the teleconferences.

In July 2008, we implemented significant changes to our rules to improve the *Ticket to Work* program that will improve the effectiveness of the *Ticket to Work* program in assisting individuals with disabilities who want to become more economically self-sufficient through employment. We are undertaking a major recruitment effort to increase the number of organizations functioning as Employment Networks. The changes also are expected to result in significant increases in the number of individuals receiving disability benefits who use their Ticket and return to work. In order to evaluate these significant improvements, we are establishing a new baseline for the *Ticket to Work* program using calendar year 2008 data reported from the Internal Revenue Service. Because these data are reported in the summer of each year for the previous calendar year, data for calendar year 2008 will be available in July 2009 at which time we will establish the new baseline.

Refer to *Agency Priorities as We Move Forward*, page 27, for more information about our return to work initiatives and the *Ticket to Work* program.

Trend: This was a new measure for 2008.

Data Definition: Count the number of Disability Insurance, Supplemental Security Income, and concurrent beneficiaries who have used their Ticket to sign up with an Employment Network (EN) or State Vocational Rehabilitation (VR) agency and who have recorded earnings in the *Disability Control File* in any month of the calendar year. The data are provided on a calendar year basis and reported in June of the following year. Performance measure language has been changed from “assigned” to “in use” to be consistent with this data definition. Beginning with FY 2008, under new regulations, Tickets will be counted as “in use” when they are being used with an EN or State VR agency, whereas under the pre-FY 2008 system they were counted when assigned.

Data Source: The “Verify Update Earnings Screen’s Work and Earnings Reports” data field in the Disability Control File.

Remarks:

* This is a Program Assessment Rating Tool measure.

** The data are provided on a calendar year basis and are available in July of the following year. Therefore, we are reporting FY 2007 performance data in the *Fiscal Year 2008 Performance and Accountability Report*. We will report actual data for FY 2008 in the *Fiscal Year 2009 Performance and Accountability Report*.

1.2b – Number of quarters of work earned by Disability Insurance and Supplemental Security Income disabled beneficiaries during the calendar year

FY 2008 Goal: Establish a new baseline from which to measure future performance

Performance: On Schedule*

Goal Achieved: To Be Determined

Discussion: Under the *Ticket to Work* program, quarters of work represent significant work and earnings milestones for disabled individuals in their effort to achieve self-sufficiency.

As pointed out in 1.2a – *Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets in use, who work*, the changes made to the *Ticket to Work* program in 2008 are expected to result in significant increases in the number of individuals receiving disability benefits who use their Ticket and return to work. In order to evaluate these significant improvements, we are establishing a new baseline for the *Ticket to Work* program using calendar year 2008 data reported from the Internal Revenue Service. Because these data are reported in the summer of each year for the previous calendar year, data for calendar year 2008 will be available in July 2009 at which time we will establish the new baseline.

Refer to *Agency Priorities as We Move Forward*, page 27, for more information about our return-to-work initiatives and the *Ticket to Work* program.

Trend: This was a new measure for 2008.

Data Definition: Measures overall effectiveness of all work incentive programs and reflects results of Return-to-work education and outreach activities and improvements to the Ticket and other work incentive programs. It also reflects work by beneficiaries with disabilities at increasingly significant levels over a significant period of time. A "quarter" is earned for each \$1,050 earned in a year, up to a limit of four quarters in any calendar year. The value of a "quarter" will be tied to the threshold for any worker to earn a Social Security quarter of coverage in a given calendar year and will index year-to-year with the quarter of coverage.

Data Source: *Master Earnings File.*

Remarks:

* The data are provided on a calendar year basis and are available in July of the following year. Therefore, we will report actual data for FY 2008 in the *Fiscal Year 2009 Performance and Accountability Report*.

Strategic Objective 1.3: Improve service through technology, focusing on accuracy, security, and efficiency

1.3a – Percent of Retirement and Survivors Insurance claims receipts processed up to the budgeted level*

FY 2008 Goal: 100% (of receipts up to the budgeted level = 4,065,000)

Performance: 101% (4,236,455)

Goal Achieved: Yes

Discussion: As the number of individuals receiving retirement and survivors benefits continues to increase, we make every effort to use the benefits that technology can bring to managing and expediting the processing of applications. Nearly 80 million baby boomers will be filing for retirement over the next 20 years – an average of 10,000 per day. Innovative changes that focus on technology and simplified policy are vital to our ability to continue the level of service that we have provided over our 70-year history. In FY 2008, we finalized our *Ready Retirement* application that simplifies online filing for individuals applying for retirement benefits. A key

aspect of this effort is the simplification of policy. In FY 2008, we eliminated the need for most individuals to submit a birth certificate at the time they file for benefits, and we eliminated the need to obtain documentation of any marriages that are not material to any entitlement. We also worked on a host of other potential policy changes that will streamline and simplify filing for retirement benefits and assist us in handling increasing workloads. Additionally in FY 2008, we released our enhanced and secure online tool, the *Retirement Estimator*, which individuals can use to obtain highly accurate monthly retirement benefit estimates based on their actual earnings. We discuss both of these initiatives in *Agency Priorities as We Move Forward* on pages 28-29.

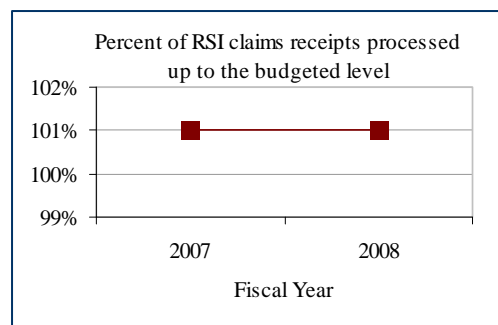
To increase the use of electronic service options, we will continue to market our online services to the public at both the national and local levels. In FY 2008, we saw an 82 percent increase over FY 2007 in the number of retirement applications filed online. We believe a large part of this increase is due to the automation, policy, and marketing initiatives highlighted in this discussion section.

Academy award winning actress, Patty Duke, has generously agreed to be Social Security's spokeswoman to help encourage members of the baby boomer generation to file online for their retirement benefits. We will feature her in public service announcements early next year to promote our new, improved online *Ready Retirement* application.

Trend: This was a new measure in 2007.

Fiscal Year	Goal	Performance	Goal Achieved?
2007	100%	101%**	↑
2008	100%	101%**	↑

Data Definition: In the regional offices, field offices, teleservice centers, program service centers, and the Office of Central Operations, the number of initial claims for retirement, survivors, and Medicare processed compared to the number of initial claims for retirement, survivors, and Medicare received in a fiscal year up to the budgeted level. This includes Totalization claims.



Data Source: Social Security Unified Measurement System Operational Data Store.

Remarks:

* This is a Program Assessment Rating Tool measure.

** The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

1.3b – Improve service to the public by optimizing the speed in answering 800 number calls

FY 2008 Goal: 330 seconds

Performance: 326 seconds

Goal Achieved: Yes

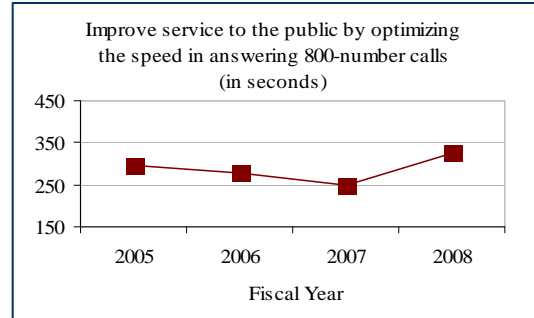
Discussion: Our National 800 Number call volume has increased annually, exceeding 57 million calls in FY 2008, and we expect this number to grow to 61 million by 2010. How quickly we can answer these calls is affected by a variety of factors, including the number of available agents, the average handle-time per call, and the wait tolerance of callers to remain on hold. Despite achieving our FY 2008 goal, the average speed of answering National 800 Number calls increased 30 percent from FY 2007.

To increase our capacity to handle these large call volumes, we are using a variety of technologies. For example, we use *Screen Splash*, a system that collects information from callers before talking to an agent. This helps reduce the length of a call thereby enabling agents to handle more calls. We also introduced *Scheduled Voice Callback* in FY 2008. This system offers National 800 Number callers, who have been on hold for more than 3 minutes, the

option to hang up without losing their place in queue. When the caller selects this option, we record the callers' names and telephone numbers and the system calls them back when their turn in queue is reached.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	330 seconds	296 seconds	↑
2006	330 seconds	278 seconds	↑
2007	330 seconds	250 seconds	↑
2008	330 seconds	326 seconds	↑



Data Definition: The answer wait time of all calls divided by the number of all calls answered by agents. Wait time begins from the time the call is placed in queue and ends when an agent answers. Calls that go straight to an agent without waiting in the queue have a zero wait time, but are included in the average speed of answer calculation. Average speed of answer does not include callers who hang up after being in queue. A lower average speed of answer and busy rate are indicators of better customer service.

Data Source: Report generated by Cisco router software.

1.3c – Improve service to the public by optimizing the 800 number busy rate for calls offered to Agents

FY 2008 Goal: 10%

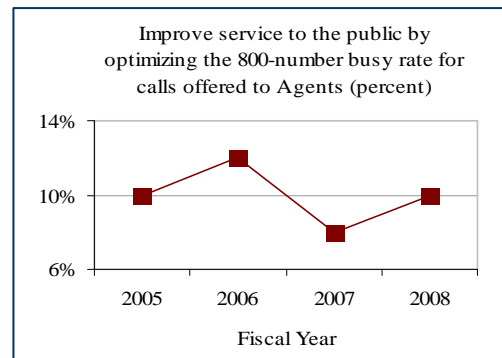
Performance: 10%*

Goal Achieved: Yes

Discussion: To reduce the National 800 Number busy rates, we must reduce the number of calls routed to agents. To accomplish this, we are using technologies to efficiently handle calls without the need for agent involvement. We continue to enhance our use of *Speech Recognition Technology*. This feature enables callers to speak their request into an interactive voice prompt system, thereby reducing the time callers spend navigating through menu prompts and error prone touch-tone commands. Callers can use *Speech Recognition Technology* to process an array of actions, including changes of address, benefit verification requests, and Medicare card replacements, without the assistance of an agent. We also released an enhanced *Customer Help and Information Program* to assist telephone agents by providing instant access to facts, policies, and reference material, thereby minimizing average handle-time per call and reducing busy rates.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	10%	10%*	↑
2006	10%	12%*	↓
2007	10%	8%*	↑
2008	10%	10%*	↑



Data Definition: Number of busy messages divided by number of calls offered to agents (displayed as a percentage). A busy message is the voice message a caller receives when no agent is available to answer the call

because the queue has reached its maximum capacity of waiting calls. When this happens, the person is asked to call back later. A lower busy rate and average speed of answer are indicators of better customer service.

Data Source: Report generated by Cisco router software.

Remarks:

* The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

1.3d – Percent of individuals who do business with SSA rating the overall service as "excellent," "very good," or "good" *

FY 2008 Goal: 83%

Performance: 81%

Goal Achieved: No

Discussion: We conduct several surveys during the fiscal year to evaluate various aspects of our service. The performance measure is based on the combined result of annual service satisfaction surveys of National 800 Number callers, field office callers, and office visitors, including both field office and hearings office visitors. The combined results of the surveys produce the overall service satisfaction score. We carefully monitor the public's perception of the quality of service we provide. The results of these surveys allow us to identify the specific aspects of service where improvement would have the greatest impact on overall satisfaction.

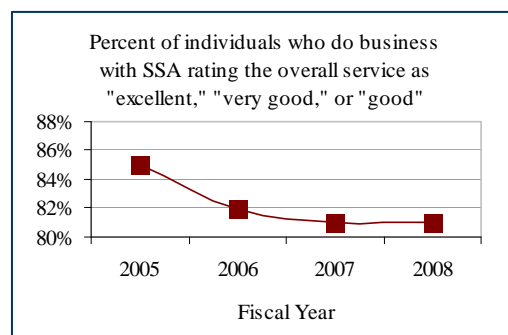
We have not met this goal for the past 3 years. Our staffing level in 2007 was the lowest since 1972 and our workloads continue to increase in volume and complexity. Without additional staff, our primary strategy is to improve service through technology and simplification of our programs. We continue to improve use of technology in our business processes. For example, we have refined the speech recognition system on our National 800 Number to improve telephone access and better assist callers with their business. As a result, we can complete more calls. We are also enhancing our online services so individuals will have a simplified, user-friendly, and secure environment. We are continually identifying opportunities for expanding and refining those services to reach a larger segment of the public. Expanding the use of electronic services for more routine transactions will enable our staff to handle more complex services.

We have devoted significant resources to ensure our web services rank among the best in government. The *American Customer Satisfaction Index* (ACSI) e-Government Satisfaction Index is widely used in both the federal and private sectors to measure public satisfaction with features of websites. For the quarter ending September 30, 2008, our *Retirement Estimator* topped all federal web sites with a score of 90. This is the second highest score ever achieved by a federal web site. The *Application for Help with Medicare Prescription Drug Costs* scored 88 to finish second and our *Internet Social Security Benefits Application* placed third with a score of 87. Our aggregate score (82.5 for six surveys) was the second highest among all federal agencies running multiple surveys; the federal average score was 78.2.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	83%	85%	↑
2006	83%	82%	↓
2007	83%	81%	↓
2008	83%	81%	↓

Data Definition: Percent of respondents who rate overall service as "good," "very good," or "excellent" on a 6-point scale ranging from "excellent" to "very poor" divided by the total number of respondents to that question.



Data Source: SSA's annual surveys of 800-number callers, field office callers, and field office and hearings office visitors**

Remarks:

* This is a Program Assessment Rating Tool measure.

** The 800-Number caller survey is based on contacts sampled from all 800-Number sites through March; the field office caller survey is based on contacts sampled from randomly selected field offices throughout April; the field office and hearings office visitors survey is based on contacts sampled from randomly selected offices over an eight-week period from July through September.

Strategic Goal 2: To protect the integrity of Social Security programs through superior stewardship
Strategic Objective 2.1: Detect and prevent fraudulent and improper payments and improve debt management

2.1a – Process Supplemental Security Income (SSI) non-disability redeterminations to reduce improper payments

FY 2008 Goal: 1,200,000

Performance: 1,220,664

Goal Achieved: Yes

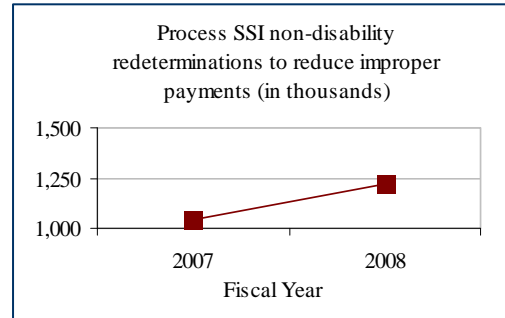
Discussion: We have had to reduce some of our stewardship activities in order to devote our resources to our critical core workloads. However, based on FY 2008 funding, we were able to increase slightly the number of redeterminations conducted to more than we completed in FY 2007, and we met our goal. The redetermination process is an important stewardship activity. We conduct these periodic reviews of non-disability factors, such as income and resources, to ensure that individuals remain eligible for Supplemental Security Income and are receiving the amount that they are due. Redeterminations result in both overpayments being collected or prevented and underpayments being paid or prevented. Overall, we save approximately \$10 for every \$1 spent in processing redeterminations.

We are simplifying the Supplemental Security Income redetermination process for both the public and our employees who handle these cases. In FY 2008, we expanded our use of *Access to Financial Information*. This process automates access to financial institution data. We expect the process to significantly reduce incorrect Supplemental Security Income payments caused by excess resources in financial accounts. We also expanded an automated telephone-based monthly wage-reporting system for individuals who are at risk of incurring wage-related overpayments. Recent improvements will allow more individuals to pass the first and last name authentication test. We expect that these improvements will significantly increase the potential universe of individuals who will use this method of reporting wages. The automated telephone system provides a National means of fully automating Supplemental Security Income wage reporting. We also created a Supplemental Security Income Monthly Wage Reporting website, which contains helpful hints on making wage reporting faster and easier.

Refer to page 177 in the *Financial Section* for more information about our efforts to curb Supplemental Security Income improper payments.

Trend: This was a new measure in 2007.

Fiscal Year	Goal	Performance	Goal Achieved?
2007	1,026,000	1,038,948	↑
2008	1,200,000	1,220,664	↑



Data Definition: All non-disability eligibility redeterminations of Supplemental Security Income beneficiaries that are processed to completion resulting from diary actions (scheduled), those initiated as a result of events reported by beneficiaries (unscheduled), and targeted redeterminations.

Data Source: *Redetermination Service Delivery Objective Report, Limited Issue Service Delivery Objective Report, and Post-eligibility Operational Data Store.*

2.1b – Number of periodic continuing disability reviews processed to determine continuing entitlement based on disability to help ensure payment accuracy

FY 2008 Goal: 1,065,000*

Performance: 1,091,303

Goal Achieved: Yes

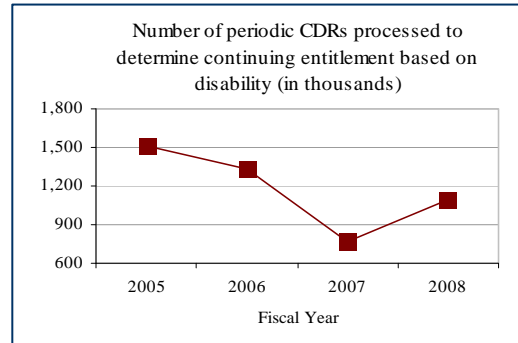
Discussion: We conduct continuing disability reviews to determine whether individuals receiving disability benefits continue to be entitled to benefits based on their medical condition. These reviews protect the integrity of the disability programs. Continuing disability reviews are cost effective, saving \$10 for every \$1 spent in conducting these reviews. Overall agency resource constraints in FY 2007 required adjusting our program integrity workloads so we could focus on maintaining service levels. However, based on additional FY 2008 funding, we were able to increase the number of continuing disability reviews we conducted to 1,091,303 and exceeded our goal.

We strive to perform continuing disability reviews as efficiently as possible. To do this, we continue to refine the continuing disability review mailer/statistical scoring model to screen cases and identify those in which a full medical review would not be cost-effective. After these cases are screened out, we refer the remaining cases for a full medical review.

We will also continue to enhance another statistical scoring tool – the *Diary Model* – to accurately assign dates when we should select individual disability cases for review based on the medical condition and expectation of medical improvement. Over time, the *Diary Model* will save us millions of dollars because valuable resources will not be needed to review cases where there is no reasonable expectation of medical improvement. In addition, we use another statistical scoring model – the *CDR Profiling Model* – developed to identify whether the review may be processed with a limited amount of contact or if it requires a more costly medical review. We conduct large-scale sampling of continuing disability reviews to maintain the integrity of the process and ensure that we have sufficient data to assess the process and adjust our models.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	1,384,000	1,515,477	↑
2006	1,242,000	1,337,638	↑
2007	729,000	764,852	↑
2008	1,065,000*	1,091,303*	↑



Data Definition: Count includes periodic reviews and other continuing disability reviews (CDR) processed by the Disability Determination Services and through mailers not requiring medical reviews.

Data Source: *Disability Operational Data Store* and the *continuing disability review tracking files*.

Remarks:

*The FY 2008 goal of 1,065,000 includes 235,000 medical continuing disability reviews and 830,000 continuing disability review mailers not requiring medical review. The FY 2008 performance includes 245,388 medical continuing disability reviews and 845,915 continuing disability review mailers not requiring medical review. Not all information in the *Disability Operational Data Store* is archived or maintained for audit purposes.

2.1c – Percent of Supplemental Security Income payments free of overpayment and underpayment error*

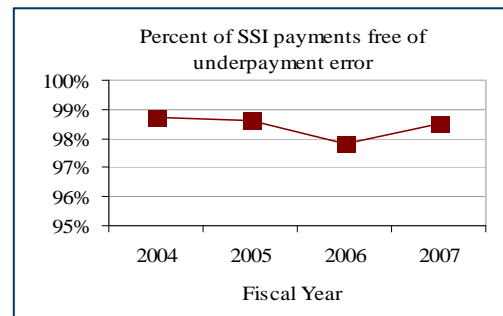
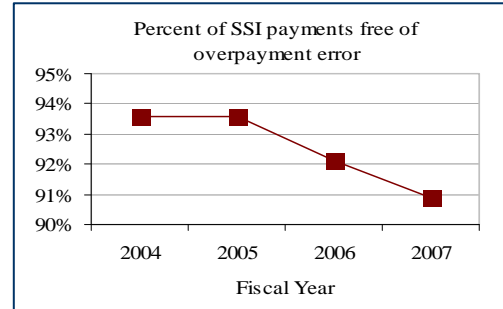
FY 2007 Goal:	Overpayment accuracy:	95.7%
	Underpayment accuracy:	98.8%
Performance:	Overpayment accuracy:	90.9%** ***
	Underpayment accuracy:	98.5%** ***
Goal Achieved:	Overpayment accuracy:	No
	Underpayment accuracy:	No
FY 2008 Goal:	Overpayment accuracy:	96%
	Underpayment accuracy:	98.8%
Performance:	Overpayment accuracy:	Data available July 2009**
	Underpayment accuracy:	Data available July 2009**
Goal Achieved:	Overpayment accuracy:	To Be Determined
	Underpayment accuracy:	To Be Determined

Discussion: We have had to make difficult decisions about where to use limited agency resources in order to best serve the public. Consequently, we have reduced some of our stewardship activities. A large part of this performance measure is addressed through the Supplemental Security Income redetermination process discussed in 2.1a- *Process Supplemental Security Income non-disability determinations to reduce improper payments*. We base initial Supplemental Security Income payments on projections, such as future earnings, that must later be verified. Although we met our FY 2008 redetermination goal, the total number of redeterminations we processed was less than ideal. If we continue to process fewer redeterminations than desired, due to the correlation between the frequency of redeterminations and payments free of error, we project that it will be very difficult to meet our future Supplemental Security Income accuracy goals.

In addition to ongoing quality reviews and efforts to streamline and simplify pertinent policies and procedures, we will continue identifying new strategies to improve the overpayment and underpayment accuracy rate. For more information, refer to performance measure 2.1a as well as the *Improper Payments Information Act of 2002 Detailed Report* on page 171.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2004	O/P: 95.4%	93.6% ***	↓
	U/P: 98.8%	98.7% ***	↓
2005	O/P: 94.9%	93.6% ***	↓
	U/P: 98.8%	98.6% ***	↓
2006	O/P: 95.4%	92.1% ***	↓
	U/P: 98.8%	97.8% ***	↓
2007	O/P: 95.7%	90.9% ***	↓
	U/P: 98.8%	98.5% ***	↓
2008	O/P: 96%	Available July 2009**	TBD
	U/P: 98.8%	Available July 2009**	TBD



Data Definition: The Supplemental Security Income payment accuracy rate free of overpayment and underpayment error is determined by an annual review of a statistically valid sample of the beneficiary rolls. Stewardship review findings, such as accuracy rates, are *estimates* based on the results of random samples. These estimates are expressed in terms of the degree of confidence that the estimate is somewhere between two values and the measure of precision provides information about the size of the interval. For example, in FY 2005, SSI precision at the 95% confidence level ranged from 92.7% to 94.5% for overpayments and from 98.3% to 98.9% for underpayments. Separate rates are determined for overpayment error dollars and underpayment error dollars. The accuracy rates are computed by dividing the error dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100% to determine the accuracy rate. The current measuring system captures the accuracy rate of the non-medical aspects of eligibility for SSI payment outlays.

Note: The confidence level for each fiscal year is determined when the review is completed. In FY 2007, Supplemental Security Income precision at the 95-percent confidence level ranged from 89 percent to 92.8 percent for overpayments and from 98.1 percent to 98.9 percent for underpayments.

Data Source: *Supplemental Security Income Stewardship Report.*

Note: The Supplemental Security Income Stewardship Report is based on a monthly sample selection of individuals who received Supplemental Security Income in the sample period. The individual and/or representative payee is interviewed, collateral contacts are made as deemed necessary, and all non-medical factors of eligibility are redeveloped for the sample period and retroactive months, if applicable. The stewardship data are reported on a fiscal year basis and the data provides an overall accuracy measurement of the payments to all recipients currently on the Supplemental Security Income rolls.

Remarks:

* This is a Program Assessment Rating Tool measure.

** The performance data shown for FY 2007 was not available at the time we published the *Fiscal Year 2007 Performance and Accountability Report*, therefore we are reporting the results in the *Fiscal Year 2008 Performance and Accountability Report*. Actual data for FY 2008 will not be available until July 2009, and we will report it in the *Fiscal Year 2009 Performance and Accountability Report*.

*** The actual number is rounded to the nearest tenth using the standard rounding convention of rounding up numbers that are .05 or higher and rounding down those .04 or less.

2.1d – Percent of Old-Age, Survivors and Disability Insurance payments free of overpayment and underpayment error*

FY 2007 Goal:	Overpayment accuracy:	99.8%
	Underpayment accuracy:	99.8%
Performance:	Overpayment accuracy:	99.8%** ***
	Underpayment accuracy:	99.9%** ***
Goal Achieved:	Overpayment accuracy:	Yes
	Underpayment accuracy:	Yes
FY 2008 Goal:	Overpayment accuracy:	99.8%
	Underpayment accuracy:	99.8%
Performance:	Overpayment accuracy:	Data available July 2009**
	Underpayment accuracy:	Data available July 2009**
Goal Achieved:	Overpayment accuracy:	To Be Determined
	Underpayment accuracy:	To Be Determined

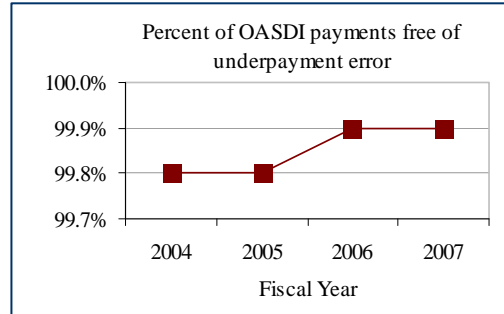
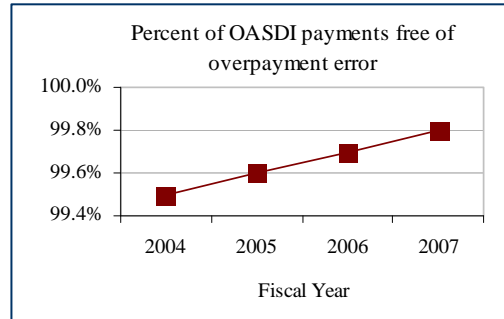
Discussion: We are a committed steward of the Social Security Trust Funds. We continue to implement initiatives with the potential to improve payment accuracy. Individuals receiving Old-Age, Survivors, and Disability Insurance benefits are more likely to be overpaid due to work activity not reported timely, computation errors in reporting additional earnings, and unreported relationships (e.g., marriages, children, students). They are likely to be underpaid because of computation errors in reporting additional earnings, incorrect age/date of birth in our records, workers' compensation not reported timely, and incorrectly posted wages/self-employment income. To address these overpayment and underpayment issues, in FY 2008, we augmented our electronic processes by:

- Automating system capabilities that further prevent, identify, and correct computation errors; and
- Contracting with additional states to implement *Electronic Death Registration*. This electronic process allows state vital statistics agencies to verify Social Security Numbers and process this and related workloads electronically. Death registration is traditionally done manually by the states. The electronic process is faster, which means the death is posted to our records more quickly, reducing the chances the individual will be paid improperly.

In addition to ongoing quality reviews and efforts to streamline and simplify pertinent policies and procedures, we will continue identifying new strategies to improve the overpayment and underpayment accuracy rate. Refer to the discussions in 2.1b- *Number of periodic continuing disability reviews processed to determine continuing entitlement based on disability to help ensure payment accuracy* and 2.1c- *Percent of Supplemental Security Income payments free of overpayment and underpayment error*; the *Improper Payments Information Act of 2002 Detailed Report* on page 171 for more information on our efforts to reduce improper payments.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2004	O/P: 99.8%	99.5% ***	↓
	U/P: 99.8%	99.8% ***	↑
2005	O/P: 99.8%	99.6% ***	↓
	U/P: 99.8%	99.8% ***	↑
2006	O/P: 99.8%	99.7% ***	↓
	U/P: 99.8%	99.9% ***	↑
2007	O/P: 99.8%	99.8% ***	↑
	U/P: 99.8%	99.9% ***	↑
2008	O/P: 99.8%	Available July 2009**	TBD
	U/P: 99.8%	Available July 2009**	TBD



Data Definition: The Old-Age, Survivors, and Disability Insurance (OASDI) payment accuracy rate free of overpayment and underpayment error is determined by an annual review of a statistically valid sample of the beneficiary rolls. Stewardship review findings, such as accuracy rates, are *estimates* based on the results of random samples. These estimates are expressed in terms of the degree of confidence that the estimate is somewhere between two values and the measure of precision provides information about the size of the interval. For example, in FY 2005, overall OASDI precision at the 95% confidence level ranged from 99.25% to 99.86% for overpayments and from 99.65% to 99.98% for underpayments. Separate rates are determined for overpayment error dollars and underpayment error dollars. The accuracy rates are computed by dividing error dollars by the total dollars paid for the fiscal year. The percentage is subtracted from 100% to attain the accuracy rate.

Note: The confidence level for each fiscal year is determined when the review is completed. In FY 2007, the Old-Age, Survivors, and Disability Insurance precision at the 95-percent confidence level ranges from 99.68 percent to 99.94 percent for overpayments and 99.75 percent to 99.99 percent for underpayments.

Data Source: *Old-Age, Survivors and Disability Insurance Stewardship Report*

Note: The basis of the Retirement and Survivors Disability Insurance payment accuracy (Stewardship) report is a monthly randomly selected sample of cases from Retirement and Survivors Disability Insurance payment rolls of beneficiaries in current pay status. The cases are reviewed for non-medical factors of eligibility, and for each case, the individual or representative payee is interviewed (75 percent by phone and 25 percent by home visit), collateral contacts are made, as needed, and all factors of eligibility are redeveloped for the current sample month.

Remarks:

* This is a Program Assessment Rating Tool measure.

** The performance data shown for FY 2007 was not available at the time we published the *Fiscal Year 2007 Performance and Accountability Report*, therefore we are reporting the results in the *Fiscal Year 2008 Performance and Accountability Report*. Actual data for FY 2008 will not be available until July 2009 and we will report it in the *Fiscal Year 2009 Performance and Accountability Report*.

*** The actual number is rounded to the nearest tenth using the standard rounding convention of rounding up numbers that are .05 or higher and rounding down those .04 or less.

Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN) issuance process to help prevent misuse and fraud of the SSN and card

2.2a – Percent of original Social Security Numbers issued that are free of critical error

FY 2007 Goal: 98%

Performance: 100%* **

Goal Achieved: Yes

FY 2008 Goal: 95%

Performance: Data available March 2009*

Goal Achieved: To Be Determined

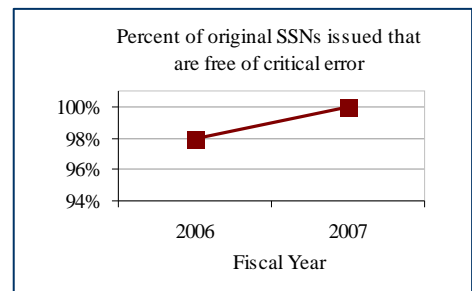
Discussion: We use the Social Security Number to track the earnings records of individuals to determine benefits they and their families may be due. Although our purpose for assigning a number and issuing a card has not changed, over time the Social Security Number has become a primary means of identification in both the public and private sectors. As the use of the Social Security Number has grown, so has identity theft and Social Security Number misuse. To prevent misuse, we must ensure that we assign Social Security Numbers and issue cards correctly.

Each year, we strengthen current processes and implement new methods to safeguard the assignment of Social Security Numbers and the issuance of cards. For instance, we now display fraud indicators on queries and Social Security Number verifications to further deter Social Security Number fraud and misuse. We also modified the Enumeration-at-Birth process to prevent the issuance of duplicate Social Security Numbers to newborns and to restrict the assignment of Social Security Numbers to unnamed children. We continue to refine the process we use to verify with the Department of Homeland Security and Department of State all immigration documents for non-citizens applying for an original or replacement Social Security card. Additionally, under the Enumeration-at-Entry program, we collaborated with the Department of State to identify additional non-citizen groups that could apply for a Social Security Number as part of the entry process into the U.S.

Refer to *Agency Priorities as We Move Forward* on page 30 for more information on other Social Security Number-related initiatives.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2006	98%	98%**	↑
2007	98%	100%**	↑
2008	95%	Available March 2009	TBD*



Data Definition: The rate is based on an annual review of applications for original Social Security Number (SSN) cards to verify that: 1) The applicant did not receive an SSN that belonged to someone else; 2) if the applicant had more than one SSN, the numbers were cross-referenced; and 3) the applicant was entitled to receive an SSN based on supporting documentation, i.e., the field office verified appropriate documentation – U.S. Citizenship and Immigration Services document for foreign born and birth certificate for U.S. born, and made a correct judgment of entitlement to an SSN. SSNs issued through the Enumeration-at-Birth and Enumeration-at-Entry processes are included in the review, as well as field office processed SS-5 transactions for original SSNs.

Note: In the *Annual Performance Plan for Fiscal Year 2008 and Revised Final Plan for Fiscal Year 2007*, the *Data Definition* was incorrectly stated. The *Data Definition* has been corrected above to include Social Security Numbers issued via Enumeration-at-Birth and Enumeration-at-Entry.

Data Source: *Enumeration Process Quality Review*, which is based on a sample of approximately 1,500 SSN transactions that have resulted in the issuance of an original SSN.

Remarks:

* The performance data shown for FY 2007 was not available at the time we published the *Fiscal Year 2007 Performance and Accountability Report*. Therefore we are reporting the results in the *Fiscal Year 2008 Performance and Accountability Report*. Actual data for FY 2008 will not be available until March 2009 and we will report it in the *Fiscal Year 2009 Performance and Accountability Report*.

** The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

2.2b – Percent of Social Security Number receipts processed up to the budgeted level

FY 2008 Goal: 96%* (of receipts up to the budgeted level = 18,804,959)

Performance: 96%** (18,114,400)

Goal Achieved: Yes

Discussion: We worked diligently to achieve this goal in FY 2008. As the threat of identity theft continues to become more widespread, stricter standards for acceptable identification and verification make this task more complex and time-consuming. Despite these challenges and nearly a 6 percent increase in projected receipts over FY 2007, we met this goal.

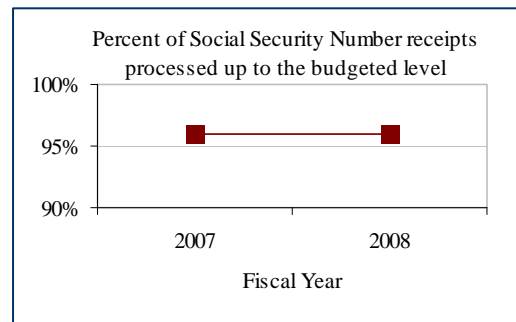
As we look for ways to keep pace with this growing workload, it is imperative that we work more efficiently and improve public convenience. We are undertaking an initiative called *Quick, Simple, and Safe SSNs* which is a strategy for automating the Social Security Number workload and reducing the number of manual error prone actions. Our plan focuses on improving service and maintaining integrity of the process. We have initiated a comprehensive analysis of enumeration processes to evaluate how these processes can be improved. For example, we will simplify existing field office processes, expand Enumeration-at-Entry, and develop online Social Security Number services.

In addition, to streamline the process of assigning Social Security Numbers and issuing Social Security cards, in FY 2008 we opened a Social Security Card Center in Orlando, FL and two Card Centers in Phoenix, AZ. Card Centers provide central locations for processing Social Security Number applications in specific geographical locations. They provide better public service by redirecting all Social Security Number-related business to a single facility with a highly trained, specialized staff.

Refer to *Agency Priorities as We Move Forward* on page 30 for more information on initiatives affecting our Social Security Number workload.

Trend: This was a new measure in 2007.

Fiscal Year	Goal	Performance	Goal Achieved?
2007	96%	97%**	↑
2008	96%	96%**	↑



Data Definition: In the regional offices, field offices, and the Office of Central Operations, the original and replacement Social Security Number (SSN) requests processed compared to the receipts in a fiscal year. This also includes Enumeration-at-Birth (EAB) activity, Enumeration-at-Entry (EAE) activity, and the count of fraud investigations not resulting in the issuance of an SSN, an EAB, or an EAE.

Data Source: *Social Security Unified Measurement System Enumeration Operational Data Store.*

Remarks:

* The budgeted level for FY 2008 was 19,000,000. We received 18,804,959 requests (less than the budgeted level). As such, 96 percent of the actual number received is 18,052,761. We processed 18,114,400 requests, thereby meeting this goal.

** The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Strategic Objective 2.3: Ensure the accuracy of earnings records so that eligible individuals can receive the proper benefits due them

2.3a – Issue annual SSA-initiated *Social Security Statements* to eligible individuals age 25 and older*

FY 2008 Goal: 100%

Performance: 100%

Goal Achieved: Yes

Discussion: The *Social Security Statement* is a concise, easy-to-read personal record of the earnings on which individuals paid Social Security taxes during their working years and a summary of the estimated benefits individuals and their families may receive as a result of those earnings. In FY 2008, we issued *Social Security Statements* to over 148.6 million individuals who were eligible to receive the *Statement*.

The *Social Security Statement* contains:

- An estimate of potential monthly Social Security retirement, disability, survivor, and auxiliary benefits and a description of benefits under Medicare;
- The amount of wages paid to an individual or income from self-employment; and
- The aggregate taxes paid toward Social Security and Medicare.

The objectives of the *Social Security Statement* are to:

- Help individuals to verify the information in their earnings record. We encourage individuals to review their earnings history for accuracy and completeness. This will avoid incorrect benefit payments in the future. This information includes instructions for individuals to report any earnings discrepancies as soon as possible;
- Educate the public about Social Security programs. The *Statement* contains information about the various benefits to which a worker may be entitled; and
- Assist in financial planning. The *Statement* provides individuals with information regarding potential retirement, disability, and survivor benefits. It also contains information about planning for retirement. By reviewing this information, individuals can see if they are on track to meet their retirement goals.

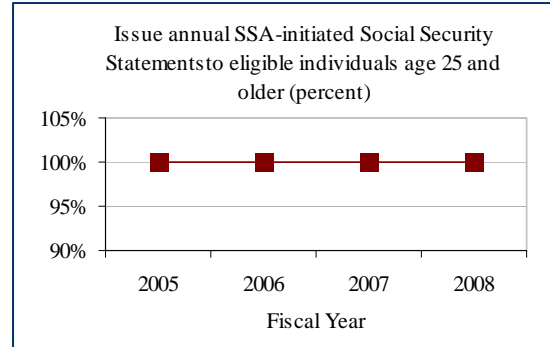
To ensure that the *Statement* is meeting its objectives and providing value to the public, we have an ongoing *Statement* evaluation plan that includes focus group testing and formal surveys. During FY 2008, we conducted a National survey of recent recipients of the *Statement* that is sent annually to approximately 150 million working

individuals to evaluate its effectiveness as a communications medium. The preliminary results of the survey are currently under review.

We are in the process of modifying existing systems to provide a central source of management information which will provide the number of earnings corrections that result from members of the public contacting us to report potential errors on their earnings records.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	100%	100% **	↑
2006	100%	100% **	↑
2007	100%	100% **	↑
2008	100%	100%	↑



Data Definition: As required by law, SSA issues annual *Social Security Statements* to all eligible individuals (Social Security Number holders age 25 and older who are not yet in benefit status and for whom a mailing address can be determined). The *Statement* contains information about Social Security benefit programs, financing facts, and provides personal benefit estimates. The *Statement* provides individuals the opportunity to review their earnings history and verify their earnings record for accuracy and completeness.

Data Source: *Executive and Management Information System.*

Remarks:

* This is a Program Assessment Rating Tool measure.

** The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Strategic Objective 2.4: Manage Agency finances and assets to link resources effectively to performance outcomes

2.4a – Receive an unqualified opinion on SSA’s financial statements from the auditors

FY 2008 Goal: Receive an unqualified opinion

Performance: Received an unqualified opinion

Goal Achieved: Yes

Discussion: For the 15th successive year, we received an unqualified opinion on our financial statements. In accordance with the *Chief Financial Officers’ Act*, PricewaterhouseCoopers, LLP independently audited our financial statements. In its audit, PricewaterhouseCoopers, LLP found that we fairly presented our financial statements, as contained in this *Fiscal Year 2008 Performance and Accountability Report*, and in all material respects, in conformity with accounting principles generally accepted in the United States.

We take our stewardship responsibility of the Social Security programs very seriously and will continue to demonstrate an unyielding dedication to sound financial management practices. Refer to the *Auditor’s Reports* section, beginning on page 143, for more information on our financial statements audit.

Trend: We have received an unqualified audit opinion every year from FY 1994 – FY 2008.

Data Definition: An unqualified opinion on the financial statements is provided when an independent auditor determines that the financial statements are presented fairly, and, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Data Source: Auditors' work papers.

Note: The Office of the Inspector General has a contract with an outside auditing firm to audit our financial statements.

Strategic Goal 3: To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations

Strategic Objective 3.1: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

3.1a – Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security

FY 2008 Goal: Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms

Performance: Completed

Goal Achieved: Yes

Discussion: The policies that the Administration and Congress establish to maintain the solvency of the Old-Age, Survivors, and Disability Insurance Trust Funds are of great importance to our primary purpose of implementing the Social Security programs.

To assist the Administration and Congress in making informed decisions on major policy issues, we provide policymakers with the information they need to understand the broad impact and effects of potential reform proposals. We provide analysis and research on policy initiatives and produce briefing materials for Congressional hearings to inform policymakers about the scope, impact, and dynamics of reform on the Old-Age, Survivors, and Disability programs. We continue to use retirement modeling as one of our most important tools for evaluating the effects of Social Security reform proposals, e.g., *Modeling Income in the Near Term*. We use this program to look at the baby boom retirees and compare them to previous retirees economically and demographically and look at the economic status of baby boomers under reform proposals compared to current law. We also produce more than a dozen periodic reports that provide detailed statistical data on program size and trends.

We also partner with the Retirement Research Consortium by providing funding through cooperative agreements with three multidisciplinary research centers. These centers are located at Boston College, the University of Michigan, and the National Bureau of Economic Research. Additionally, we fund numerous projects to conduct research, develop research data, and disseminate information on retirement and Social Security related social policy.

Trend: We met this goal every year from FY 2003 - FY 2008 by conducting analyses related to Social Security reform.

Data Definition: Completed reports and analysis of present law provisions, as well as proposed and pending legislation and other proposals relating to solvency of the system.

Data Source: Office of Policy records (consists primarily of various micro simulation models, e.g., *Modeling Income in the Near Term*, *Financial Eligibility Model*, *Social Security and Accounts Simulator*, and surveys, e.g., *Survey of Income and Program Participation*, *Health and Retirement Study*).

Strategic Goal 4: To strategically manage and align staff to support the mission of the Agency

Strategic Objective 4.1: Recruit, develop and retain a high-performing workforce

4.1a – Enhance SSA’s recruitment program to support future workforce needs

FY 2008 Goal: Implement the recruitment evaluation, including collecting initial baseline data and develop an evaluation report

Performance: Completed

Goal Achieved: Yes

Discussion: In FY 2008, we continued with an aggressive recruitment strategy that has proven successful in recent years. Our recruitment strategy ensures that we have the right individuals in place with the right skills to meet our goals and objectives. In July 2008, we updated and released the *National Recruitment Guide*, which provides information on these recruitment strategies and techniques.

One of the greatest challenges facing us is the inevitable loss of employees eligible to retire. By 2017, over 53 percent of our workforce will be eligible for retirement. Not only is this over half of our employees, but also these are the employees who are the most experienced and knowledgeable about the administration of our programs. Adding to the impact of this large retirement wave is the increasing volume of our workload due to the disability and retirement needs of the baby boomers. To ensure that we are poised to address this eventuality, should the budget allow, we prepared an aggressive recruitment strategy, the *National Recruitment Program*. This program includes a ten-step plan, a vast cadre of recruiters across the nation, and the ongoing expansion of tools to ensure that we continue to be a leader in recruitment initiatives Government-wide.

We also developed a *Recruitment Evaluation Plan* to measure various elements of our national recruitment strategy. We collected survey and personnel data throughout the fiscal year and are analyzing the findings to refine our strategies. As a result, we determined whether specific initiatives should be continued, strengthened, or eliminated to enhance our recruitment plan.

Trend: This is a new measure for 2008.

Data Definition: The recruitment evaluation developed in FY 2007 focuses on the following six elements of SSA’s multifaceted recruitment strategy: 1) Co-ordination of nationwide recruitment; 2) on-campus recruitment; 3) creation of an Internet strategy; 4) automation of staffing and recruiting; 5) maximum use of hiring authorities; and 6) diversity recruitment. In FY 2008, the evaluation will be implemented according to the timeline described in the evaluation plan and a report of the findings will be developed. In FY 2009, an action plan which addresses the findings presented in the evaluation report will be developed and implemented, also according to an established timeline.

Data Source: Office of Human Resources records, which include the evaluation plan documented in FY 2007, baseline data collected and resultant report in FY 2008, the action plan developed in FY 2009, and documentation of completion of the actions identified in the evaluation and action plans.

Fiscal Year 2007 Performance Measure - Final data was not available in FY 2007

The following FY 2007 performance measure was eliminated as a *Government Performance and Results Act* measure in FY 2008. The final FY 2007 data for this measure was not available in time for publication in the *Fiscal Year 2007 Performance and Accountability Report*. Therefore, we have included FY 2007 results in this *Fiscal Year 2008 Performance and Accountability Report*.

1.1i – Agency decisional accuracy rate (ADA)

FY 2007 Goal: 97%

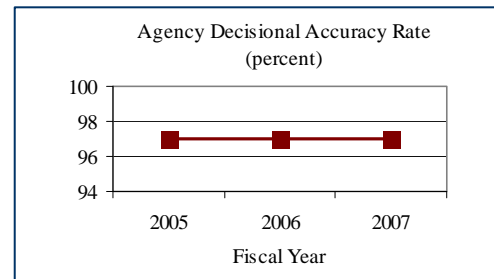
Performance: 97%*

Goal Achieved: Yes

Discussion: This measure assessed our initial disability determination accuracy and targeted areas needing improvement. It considered all corrective actions taken in connection with our quality control reviews before a final Disability Determination Service decides a case. This measure expanded on measure 1.1c- *DDS net accuracy rate for combined initial disability allowances and denials*, described on page 47, as it included correct as well as incorrect Disability Determination Service decisions that were corrected prior to the final processing of the decision. As a service measure it demonstrated the high accuracy rate of our decisions and the reliance that can be placed on them.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	97%	97% *	↑
2006	97%	97% *	↑
2007	97%	97% *	↑



Data Definition: ADA estimates total errors in all initial State agency disability determinations based on the quality assurance (QA) sample review conducted in the Disability Quality Branches. Errors are defined as those cases in which decisions change upon correction. The errors that are corrected in the regional QA and pre-effectuation reviews (PER) are subtracted from the total estimated errors. The remaining uncorrected errors are the “incorrect” cases in ADA. The remaining correct cases divided by the total cases represent ADA.

Data Source: *Disability Quality Assurance Data Base.*

Remarks:

* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

PROGRAM ASSESSMENT RATING TOOL MEASURES

As we stated in the Program Assessment Rating Tool (PART) discussion on page 34, PART is a diagnostic tool that the Office of Management and Budget designed to examine different aspects of program performance and to identify the strengths and weaknesses of a given federal program. We continue to work with the Office of Management and Budget to ensure that we develop, implement, and update plans to improve program performance.

To assess our progress, we identified 15 PART performance measures. We described 10 of the 15 PART performance measures in the previous section. The remaining five we describe on the following pages.

Average agency productivity

FY 2008 Goal: 2%

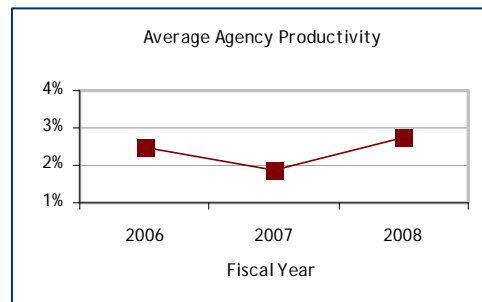
Performance: 2.72%

Goal Achieved: Yes

Discussion: We are proud of the increases in productivity that we have achieved. On average, we have increased productivity by 2 percent each year in 2 of the last 3 years; and we expect FY 2009 productivity to be even higher. It is especially challenging to meet this goal due to the increase in the volume and complexity of our workloads at the same time we are losing significant numbers of trained and experienced employees to retirement. Despite these challenges, our productivity has continuously increased. With sufficient ongoing and timely funding, we are confident we will continue to improve productivity because of our dedicated staff, plans for improved technology, and our efforts to streamline and simplify our business processes, policies, and procedures.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2006	2%	2.49%	↑
2007	2%	1.89%	↓
2008	2%	2.72%	↑



Data Definition: The percent change in productivity is measured by comparing the total number of our and Disability Determination Services (DDS) workyears that would have been expended to process current year SSA level workloads at the prior year's rates of production to the actual SSA and DDS workyear totals expended. The average annual productivity is calculated using a five-year rolling average.

Data Source: Agency Cost Accounting System.

SSA hearing case production per workyear (PPWY) (includes all hearings, not just initial disability)

FY 2008 Goal: 101

Performance: 103*

Goal Achieved: Yes

Discussion: We are actively working on implementing enhancements to the hearings process that will allow employees to increase the average number of hearings they process in a year. The most significant enhancement is the availability of electronic case records. As we eliminate paper files and employees become more comfortable with the new process, we expect significant increases in employee productivity.

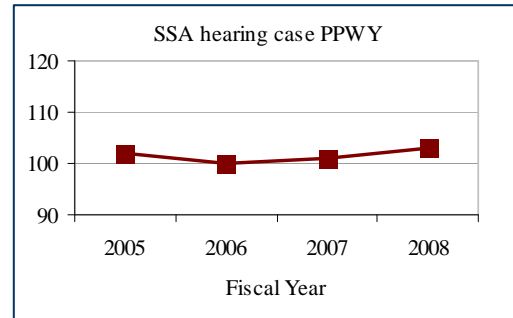
In addition to electronic processes, we are implementing a wide-array of initiatives that will increase hearing level efficiency, including:

- Implementing a streamlined fully favorable decision format;
- Rolling out decision-writing templates;
- Instituting a streamlined process to prepare cases for hearings;
- Providing the ability for administrative law judges to sign their decisions electronically;
- Increasing the amount of data propagated to the hearing level case processing system; and
- Piloting customized software that can assist with the preparation of files for hearing.

Refer to *Agency Priorities as We Move Forward* on pages 24-26 for more information about improvements to the hearings process.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	103	102* **	↓
2006	104	100*	↓
2007	106	101*	↓
2008	101	103*	↑



Data Definition: This indicator represents the average number of SSA hearings case production per workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on training, Administrative Law Judge (ALJ) travel, leave, holidays, etc.

Data Source: *Office of Disability Adjudication and Review, Monthly Activity Report, the Case Processing and Management System, Payroll Analysis Recap Report, Travel Formula* (based on the assumption that ALJs spend an average of ten percent of their time in travel status), and *Training Reports* (Regional reports on new staff training, ongoing training, and special training).

Remarks:

* The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

** FY 2005 included Medicare and SSA hearings.

Percent of SSI aged claims processed by the time the first payment is due or within 14 days of the effective filing date

FY 2008 Goal: 80%

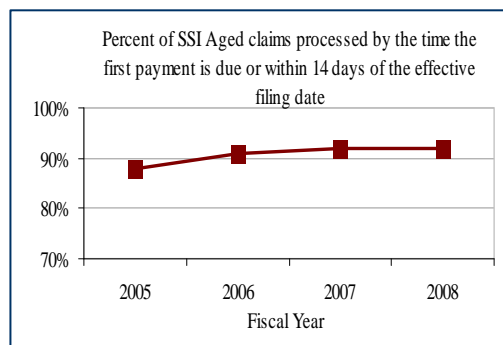
Performance: 92%*

Goal Achieved: Yes

Discussion: We pay Supplemental Security Income to qualified individuals who have limited income and financial assets. We have provided and will continue to provide sufficient resources to ensure that the needs of this segment of the population are met and that we process applications as quickly as possible. Our performance reflects a national commitment to make timely and accurate payments to Supplemental Security Income aged recipients (i.e., qualified individuals age 65 and older).

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	75%	88% *	↑
2006	75%	91% *	↑
2007	75%	92% *	↑
2008	80%	92% *	↑



Data Definition: This rate reflects the number of SSI aged applications completed through the SSA operational system (i.e., award or denial notices are triggered) before the first regular continuing payment is due or not more than 14 days from the effective filing date, if later, divided by the total number of SSI Aged applications processed. The first regular continuing payment due date is based on the first day of the month that all eligibility factors are met and payment is due. This definition came into effect beginning FY 2001.

Data Source: Title XVI Operational Data Store.

Remarks:

* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Cumulative productivity improvement for Retirement and Survivors Insurance claims (compared to FY 2005)

FY 2008 Goal: 5%

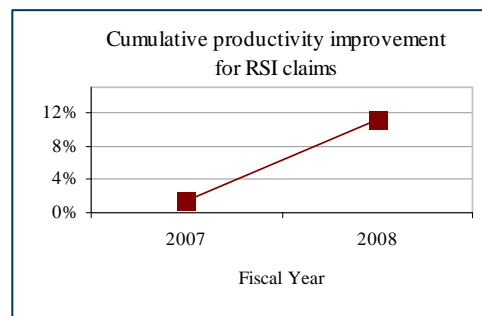
Performance: 11.2%

Goal Achieved: Yes

Discussion: The aging of the baby-boomer generation will result in increases in retirement and survivors applications. Achieving this performance goal is especially challenging due to the increase in these workloads because of the steady filing of disability applications filed by the younger baby boomers as they enter their disability-prone years. In addition, our workforce will experience its own retirement wave, which will create an additional hurdle in meeting the program's ambitious targets. In the face of anticipated rising workloads, the employee retirement wave, and constrained resources, we have set ambitious targets and timeframes for our long-term Old-Age and Survivors Insurance measure for increased productivity. We exceeded our FY 2008 goal by achieving 11.2 percent productivity improvement. As described in previous performance measures, this productivity improvement is attributable to enhanced automation, streamlining of our policies, processes and procedures, and the increase in Internet applications. We have set a goal of cumulative productivity improvement of 16 percent by FY 2013.

Trend: This was a new measure in 2007.

Fiscal Year	Goal	Performance	Goal Achieved?
2007	2%	1.4%	↓
2008	5%	11.2%	↑



Data Definition: Retirement and Survivors Insurance (RSI) claims are calculated at the agency level and the percent increase will be calculated using FY 2005 (571 claims processed per workyear) as the base. A 16 percent increase from this base means that the goal in FY 2013 is for us to process 662 claims per workyear. The RSI claims productivity per workyear number includes all retirement benefit claims, survivors benefit claims, and initial claims for Medicare.

Data Source: *The SSA Workload Trend Report.*

Disability Determination Service case production per workyear

FY 2008 Goal: 264

Performance: 265*

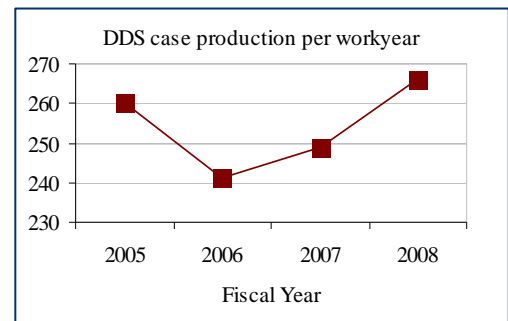
Goal Achieved: Yes

Discussion: This performance measure focuses on productivity directly linked to the stewardship of our disability program. The FY 2008 average case production per workyear of 266 shows an improvement of 7 percent over the FY 2007 average of 249.

This production per workyear increase is even more remarkable as over 50 percent of our Disability Determination Service disability examiners have less than 6 years experience and over 23 percent have less than 3 years experience. In addition, average case production per workyear continued to climb during the last part of this fiscal year, returning to the Disability Determination Services' pre-electronic business process levels. As we anticipated, Disability Determination Service employees are near or at the end of the learning curve in their move from the more familiar paper process to the new fully electronic disability process. As they gained experience, production per workyear increased accordingly.

Trend:

Fiscal Year	Goal	Performance	Goal Achieved?
2005	278	260*	↓
2006	262	241*	↓
2007	252	249*	↓
2008	264	265*	↑



Data Definition: This indicator represents the average number of Disability Determination Services case production per workyear expended for all work. A workyear represents both direct and indirect time, including overhead (time spent on training, travel, leave, holidays, etc.). It is inclusive of everyone on the DDS payroll, including doctors under contract to the DDS.

Data Source: *National Disability Determination Services System and Disability Operational Data Store.*

Remarks:

* The actual number was rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

PROGRAM EVALUATION

Evaluating programs is a systematic way to learn from experience by assessing how well a program is working. A focused evaluation examines specifically identified factors of a program in a more comprehensive way than a program would be evaluated using day-to-day experiences. The following are brief summaries of selected program evaluations we completed during FY 2008. We list the evaluations under the strategic goal they support as outlined in our *Fiscal Years 2006-2011 Agency Strategic Plan*. To obtain copies of the comprehensive results of completed evaluations write to:

Social Security Administration
Office of Budget, Finance and Management
Strategic Management Staff
4215 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

STRATEGIC GOAL 1: TO DELIVER HIGH QUALITY, CITIZEN-CENTERED SERVICE

TICKET TO WORK EVALUATION

The *Ticket to Work* program is one of our return-to-work initiatives. The purpose of the program is to expand the universe of service providers available to individuals with disabilities who are seeking vocational rehabilitation, employment, and other related support services. We issue a ticket to eligible individuals who may choose to assign the ticket to an Employment Network. Employment Networks offer one or more services, such as job readiness and work skills assessment, career counseling, employment placement, internships and apprenticeships, vocational rehabilitation, job coaching, transportation, and other supports. *The Worksite* (www.socialsecurity.gov/work) provides a host of resources for *Ticket to Work* participants.

An independent 5-year evaluation of the program, now in its 5th year, is providing us with ongoing feedback on the program's effectiveness and potential. For a full discussion of the *Ticket to Work* program and evaluation findings, see <http://www.ssa.gov/disabilityresearch/ttweval.htm>.

We use our evaluation findings to pursue regulatory changes that will strengthen the *Ticket to Work* program. We also rely on the following three basic data sources:

- Administrative data on individuals who receive disability benefits;
- A 4-year survey of individuals who receive disability benefits with a special focus on *Ticket* program participants (the National Beneficiary Survey); and
- Field interviews with service providers such as the Employment Network *Ticket* program managers, our staff, and other stakeholders in the *Ticket to Work* program such as employers, state Vocational Rehabilitation agencies, disability and rehabilitation service providers, community-based employment support service providers, and disability management and insurance companies.

Analysis of the process has found that individuals' interest in the program is encouraging, but the levels of participation by potential service providers are disappointing. With input from our evaluation contractor, we refined the *Ticket* evaluation research activities to better understand the business constraints and needs of potential Employment Networks. We also identified five key findings that provided crucial guidance in pursuing regulatory changes to strengthen the *Ticket to Work* program.

- The *Ticket to Work* program has led to modest increases in the use of employment services by disabled individuals, but has not yet led to significant changes in disability benefits and earnings;
- Many disabled individuals are interested in employment, many of whom are interested in working enough to discontinue their entitlement to disability benefits;
- Disabled individuals who earn enough to discontinue entitlement tend not to need re-entitlement for significant periods of time;
- The original *Ticket to Work* program payment options are insufficient to cover the cost of services provided by Employment Networks; and
- A broad array of potential service providers is interested in joining the *Ticket to Work* program if the financial incentives improve.

Although these findings indicate the *Ticket to Work* program has significant potential, we need improvements to Employment Network incentives, such as increasing payments and reducing Employment Networks' financial risks. To this end, we developed new rules that went into effect in July 2008 that we believe will improve the effectiveness of the *Ticket to Work* program to better assist individuals with disabilities. The rules, found at <http://www.socialsecurity.gov/work/newregs.html>, include the following provisions that:

- Expanded the population of individuals eligible for a *Ticket* to include disabled individuals who are expected to medically improve;
- Created greater financial incentives for service providers to participate in the program;
- Increased the value of the ticket to enable individuals with disabilities to take advantage of a more effective combination of services from both state Vocational Rehabilitation agencies and Employment Networks; and
- Promoted better alignment of the *Ticket to Work* program, the *Work Incentives Planning and Assistance Program* (WIPA), the *Protection and Advocacy for Beneficiaries of Social Security Programs*, and other Social Security work-incentive initiatives.

In addition to rule changes, we intensified our recruitment efforts to increase the number of Employment Networks and conducted additional outreach to promote the *Ticket* program to more individuals and to encourage them to participate. To determine whether these changes are having the desired effects, we delayed the fourth round of the National Beneficiary Survey so we could capture individuals' reactions to the new rules, and we extended ticket evaluations through 2012. This will allow us to monitor the new rules and to track Employment Networks' experiences using them. The information we obtain from these evaluations, including the feedback we get from our National Beneficiary Survey mentioned earlier, will help us to further refine and improve the *Ticket to Work* program.

The *Ticket to Work* program evaluations also showed that WIPA projects are playing an important role in disabled individuals' employment decisions. WIPA projects assist disabled individuals by providing them with information about work incentives and benefits planning, and helping them make good choices about work. We plan to conduct more in-depth analyses on the effects of WIPA programs. For more information about WIPA, see <http://www.socialsecurity.gov/work/WIPA.html>.

SERVICE SATISFACTION SURVEYS

We continually evaluate our retirement and other core services by surveying individuals who use them. These surveys provide us with the public's perception of the services we provide whether via the Internet, phone, or in-person visits to our offices. In addition, public feedback helps us identify strengths and weaknesses in our programs and processes so that we can make changes accordingly. Results of the separate surveys are combined to produce a single customer satisfaction measure. In FY 2008, we sustained a high level of customer satisfaction with an overall service rating of 81 percent as "excellent," "very good," or "good." This rating was comparable to the FY 2007 rating of 81 percent and the FY 2006 rating of 82 percent. Below we discuss our FY 2008 survey activities to evaluate service satisfaction.

Telephone Service Satisfaction Surveys

Our telephone service remains a primary service option for the public. As such, we annually survey callers to our National 800 Number and field offices to obtain and measure their satisfaction with our telephone service. Moreover, the surveys provide first-hand feedback on callers' experiences with and perceptions of this service.

In FY 2008, we reported findings from our FY 2007 National 800 Number Caller Survey that reflected opinions of callers served by the speech recognition system. Speech recognition technology reduces the time callers spend navigating through menu prompts as it allows callers to speak their responses instead of using the numeric keypad on the telephone. Survey responses indicated that, while the majority of callers were satisfied with our National 800 Number service, we need to continue efforts to fine-tune speech recognition scripts so that callers find it easier to obtain the service they need. We also found that callers' overall satisfaction with their National 800 Number experience varied greatly depending on the manner in which it was handled:

- 87 percent of callers who were routed directly to an agent rated their overall satisfaction as either "excellent," "very good," or "good;"
- 81 percent of callers who completed their call using only our automated services rated their overall satisfaction as either "excellent," "very good," or "good;" and
- 72 percent of callers who were routed to an automated service and subsequently went on to speak to an agent rated their overall satisfaction as either "excellent," "very good," or "good."

When surveyed about "callers' waiting time on hold," 58 percent of the responders rated it "excellent," "very good," or "good." In FY 2008, we took steps to alleviate caller frustration caused by long hold times by implementing *Scheduled Voice Callback*. This optional feature enables callers to hang up the phone when they are placed on hold, maintaining their place in queue, while waiting for an agent to call them back. We made *Scheduled Voice Callback* available to all callers in September 2008. Our annual 800 Number Caller Survey for FY 2009 will include questions about *Scheduled Voice Callback* so we can assess caller reactions to this feature and gauge its effect on overall satisfaction.

Our FY 2007 Survey of Field Office Callers, published in FY 2008, showed that public satisfaction with field office telephone service held steady with 79 percent of responders rating it "excellent," "very good," or "good." Callers continue to be highly satisfied with the service they receive from field office staff, but access to telephone service remains problematic and is the primary cause for dissatisfaction. Almost half of survey responders reported that they had tried to call field offices but were unable to get through. Similarly, only about half were satisfied with the amount of time they had to wait on hold before being connected with a field office employee.

Internet Services Satisfaction Surveys

The public's increased use of our online services is essential for us to effectively handle the anticipated influx of baby-boomer retirement claims and is a major element in our strategic plan. In addition to online retirement and disability claims, we offer several other online services that we evaluate on an ongoing basis to ensure they remain up-to-date and that they fulfill the public's needs. Refer to www.socialsecurity.gov/online services to see the online services we currently offer. Below we discuss surveys conducted to evaluate our Internet services. Survey responses also helped us learn about public preferences for service delivery and gain insight about the market for electronic services.

- **Survey of Retirement Benefit Applicants**

We surveyed a sample of individuals who had filed for retirement benefits in the traditional manner – either in-person at one of our offices or over the telephone. Survey participants were selected shortly after they received a decision on their applications so they could provide their opinions on the entire application process.

The objective was two-fold: to measure their satisfaction with their application-filing experience and to explore their attitudes toward doing business electronically with us. Ninety-eight percent of responders rated their experience as “excellent,” “very good,” or “good.” More than half of the responders said they currently use the Internet, and almost all of these Internet users were familiar with looking for information online; however, they were much less likely to conduct business online. Of these, 29 percent said they never purchase goods or services online, 56 percent never bank or pay bills online, and just 13 percent had ever filed any type of online application. Furthermore, only 20 percent of these Internet users said that they had considered filing for Social Security retirement benefits online, stating that they preferred having personal contact.

- **eServices Survey of Social Security Disability Benefit Applicants**

We conducted an eServices survey of individuals who had filed for disability benefits to compare the experiences and perceptions of those who filed online to those who filed using traditional filing methods (in-person at one of our offices or via telephone).

Of those filing online, 74 percent rated the ease of conducting their business as very or somewhat easy compared to 63 percent of the traditional filers. However, just one-third of the traditional filers said they were Internet users; two-thirds of them were aware of our online application. Among the two-thirds who were aware of our online disability application, fewer than half considered using this option to file their applications. As with the retirement benefit applicants, these responders stated that a preference for personal contact was the main reason for not filing online. The findings indicate that an individual is more likely to use our online application for retirement benefits rather than disability benefits.

- **eServices Postentitlement Survey: Title II Beneficiaries with a Recent Change of Address or Direct Deposit**

To explore individuals’ interest in using our electronic services, we surveyed a sample of those receiving Social Security benefits (Title II) who had recently processed a change of address or direct deposit action on their record. We refer to both of these actions as post-entitlement changes since they occurred after entitlement to Social Security benefits.

We first determined the method individuals used to process their change of address/direct deposit action:

1) Online services; 2) interactive voice response on our National 800 Number; or 3) traditional methods such as in-person at one of our offices or by telephone with employee assistance. Based on the responses we received, 96 percent of the traditional and online reporters rated the ease of their transaction as very or somewhat easy. This compared to 86 percent when using the interactive voice response on our National 800 Number.

Encouragingly, 94 percent of the online reporters were very much inclined to use the Internet to conduct other types of business with us. Meanwhile, only 37 percent of those using traditional means and 64 percent of those using the National 800 Number interactive voice response were Internet users. As such, individuals in these groups showed little interest in conducting business using our online services.

Disability Initial Claims Report Card

The *Disability Initial Claims Report Card* is an annual survey to measure customer satisfaction with the initial disability application process. We surveyed individuals who had filed for disability benefits – both for Social Security and Supplemental Security Income – using separate samples from different phases of the application

process. We surveyed selected individuals either shortly after they had filed for benefits (mid-process sample) or after they had received a decision that their application had been approved or denied.

We asked individuals to rate key aspects of our services related to the disability application process, such as processing time and the clarity of our explanations on how we decided their claims. We published the findings on the FY 2007 mid-process sample in last year's *Performance and Accountability Report*. Findings from the survey of approved individuals are discussed below. We are finalizing the survey results for denied individuals and will include them in the *Fiscal Year 2009 Performance and Accountability Report*.

Approved disabled individuals gave the initial disability claim process high marks: 88 percent were satisfied with the ease of filing and 89 percent were satisfied with our service overall. Ratings of staff attributes, such as courtesy and job knowledge, were as high as 93 percent. Even the lowest rated aspects of service, claims processing time and ease of contacting us for claim status, received a satisfaction rating of about 80 percent. However, the perception of processing time had a strong influence on overall satisfaction. Of responders who rated processing time as "excellent," "very good," or "good," 98 percent were equally satisfied with overall service. The overall service rating from responders who were dissatisfied with processing time was just 56 percent.

We will report the results from our FY 2008 Report Card survey in next year's *Performance and Accountability Report*.

We began a similar report card survey in FY 2008 to assess applicants' satisfaction with our appeals process. We surveyed both individuals who had received a favorable decision and those who had received an unfavorable decision to obtain ratings of key aspects of the hearings process. Survey results will be reported in the *Fiscal Year 2009 Performance and Accountability Report*.

STRATEGIC GOAL 2: TO PROTECT THE INTEGRITY OF SOCIAL SECURITY PROGRAMS THROUGH SUPERIOR STEWARDSHIP

RETIREMENT, SURVIVORS, & DISABILITY INSURANCE PAYMENT ACCURACY

This annual review provides an accuracy measurement of Social Security benefit payments. Findings are based on a random sample of individuals who are receiving benefits which are then projected to the universe of all individuals receiving Social Security benefits. In FY 2007, the latest year for which we have findings, the sample consisted of 1,500 cases – 1,000 cases for individuals receiving retirement or survivors benefits and 500 cases for individuals receiving disability benefits. In conducting the review, we interviewed each individual or their representative payee and contacted other sources who may have supporting information. We recreated all non-medical factors of Social Security eligibility to measure the accuracy of the Social Security benefit payments. We reported findings as a percent of dollars paid that are free of overpayments and the percent of dollars paid that are free of underpayments.

In FY 2007, overpayment accuracy was 99.8 percent and underpayment accuracy was 99.9 percent. The overpayment rate was lower than in FY 2006 (99.7 percent); however, the difference was not statistically significant. The underpayment rate remained unchanged from FY 2006 (99.9 percent). When focusing on only retirement and survivor benefits, overpayment and underpayment accuracy were both 99.9 percent. When focusing on only disability benefits, overpayment accuracy was 99.1 percent and underpayment accuracy was 99.8 percent. Data for FY 2008 was not available at the time the *Fiscal Year 2008 Performance and Accountability Report* was published. We will report FY 2008 data in the *Fiscal Year 2009 Performance and Accountability Report*.

We reviewed errors identified over a period of years to help identify trends and problem areas. We also used the data to develop initiatives to improve our processes. These include:

- **Identification of substantial gainful work activity through improved reporting**

Generally, work is determined to be substantial if monthly earnings in 2007 exceeded \$900 (\$1,500 for blind individuals) and as a result, individuals could lose their eligibility for disability benefits. Our stewardship review found that, for the 5-year period from FY 2003 through FY 2007, 85 percent of the dollar errors identified that were associated with substantial gainful work activity stemmed from individuals' failure to report that they were working. To address the "failure to report" issue, we are analyzing cases to see if we can make improvements in our work development processes. Currently, work development is not initiated until one of our employees reviews the work history based on alerts generated when an individual receiving disability benefits has earnings posted to their earnings record. Our analysis will determine if it is more efficient to automate work development requests so that they are initiated earlier. We expect our analysis to be completed in FY 2009 and will report our findings in the *Fiscal Year 2009 Performance and Accountability Report*.

- **Reducing errors in computing benefit amounts**

From FY 2003 through FY 2007, errors in computing benefit amounts accounted for about 19 percent of all dollar errors, underpayments and overpayments combined. The leading cause for underpayment dollar errors involved the *Windfall Elimination Provision*. This provision reduces the Social Security benefit of an individual receiving a pension based on earnings not covered by Social Security taxes. However, there are exceptions to the *Windfall Elimination Provision*, and when one is identified after an individual has been receiving Social Security benefits adjusted for the *Windfall Elimination Provision*, a large underpayment may result. Conversely, when pension information is not provided and the individual's Social Security benefit has not been adjusted for the *Windfall Elimination Provision*, an overpayment results. Nearly 77 percent of the overpayment dollar errors from FY 2003 through FY 2007 involved the *Windfall Elimination Provision*. To address this, we have included a legislative proposal in the *FY 2009 President's Budget* that would require state and local governments to provide data on non-covered pensions directly to us. Doing so will help us apply the *Windfall Elimination Provision* more timely and accurately. For more information about the *Windfall Elimination Provision* and how it can affect Social Security benefits, see www.ssa.gov/retire2/wep-chart.htm.

SUPPLEMENTAL SECURITY INCOME PAYMENT ACCURACY STEWARDSHIP REVIEW

This review is similar to the Retirement, Survivors, and Disability Insurance Payment Accuracy Stewardship Review discussed above. In this review we measure the accuracy of payments to individuals receiving Supplemental Security Income. The review is based on a random sample of approximately 4,000 Supplemental Security Income cases from which findings are projected to the universe of all individuals receiving Supplemental Security Income. In conducting the review, we interview individuals (or their representative payees) and contact other sources such as employers and financial institutions to obtain supporting information. We recreate all non-medical factors of Supplemental Security Income eligibility to measure the accuracy of the payments. We report findings as a percent of Supplemental Security Income dollars paid that are free of overpayments and underpayments.

In FY 2007, the latest year for which we have findings, the Supplemental Security Income overpayment accuracy rate was 90.9 percent, and the underpayment accuracy rate was 98.5 percent. While the overpayment rate was lower than the FY 2006 rate (91.2 percent) and the underpayment rate was higher than the FY 2006 rate (97.8 percent), the differences are not statistically significant. Data for FY 2008 was not available at the time the *Fiscal Year 2008 Performance and Accountability Report* was published. We will report FY 2008 data in the *Fiscal Year 2009 Performance and Accountability Report*.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT REVIEW

The *Federal Information Security Management Act* (FISMA) is an information technology (IT) security framework for all federal agencies included in the *eGov Act of 2002*. These agencies are required to submit a FISMA report to the Office of Management and Budget by October 1 of each year. The report summarizes the results of annual IT security reviews of systems and programs, agency progress on correcting identified weaknesses, and the results of other work performed during the reporting period using the Office of Management and Budget's performance measures to assess and report the status of agency IT security programs. In March 2008, SSA received a grade of "A+." In addition, for the third year in a row, SSA was among the three federal agencies to be graded as "Excellent" in our Certification and Accreditation process that is incorporated into the FISMA review. In the FY 2008 review, SSA scored 98 out of 100 points.

ENUMERATION PROCESS QUALITY REVIEW

Enumeration, the process of assigning Social Security Numbers, is one of our core services. We conduct an annual review to measure our enumeration accuracy using a random sample of original Social Security Numbers issued during the fiscal year by one of the following means:

- Enumeration-at-Birth: Parents can apply for a Social Security Number for their newborns at the same time they apply for their newborn's birth certificate. The state agency that issues the birth certificate will share information with us at which time we assign a Social Security Number and issue a Social Security card;
- Enumeration-at-Entry: Certain non-citizens can apply for a Social Security Number as part of the Department of State's immigration process. When the immigrant enters the United States, the Department of Homeland Security electronically transmits the enumeration information to us, and if the immigrant qualifies, we assign a Social Security Number and issue a Social Security card; and
- Paper Social Security Number application: Individuals complete and submit to a field office or Social Security Card Center a Form SS-5, *Application for a Social Security Card*.

In FY 2007, enumeration accuracy was 99.8 percent free of critical error compared to 97.9 percent in FY 2006. A critical error is defined as an incorrectly assigned Social Security Number. These errors result from the assignment of a Social Security Number that already belongs to someone else, the assignment of multiple Social Security Numbers that are not cross-referred on the existing records, or an improperly assigned Social Security Number resulting from incorrect verification of documentation. Improvement in accuracy is attributed to enhancements that the Department of Homeland Security made to its verification system in January 2007. These enhancements enabled the Department of Homeland Security to process more verifications of immigration status that, in turn, reduced the number of critical Social Security Number errors made because of incorrect verification of documentation.

Results from our FY 2008 Enumeration Process Quality Review will not be available until September 2009, and we will report them in our *Fiscal Year 2009 Performance and Accountability Report*.

ELECTRONIC CONTINUING DISABILITY REVIEW SPECIAL STUDY

We routinely conduct continuing disability reviews to determine whether disabled individuals continue to be entitled to benefits based on their disability. In Missouri, we began transitioning continuing disability reviews from a paper to an electronic process (eCDR) in May 2007.

Before expanding eCDRs in additional states, we evaluated 190 eCDRs processed by the Missouri Disability Determination Services to measure accuracy and to determine whether the instructions we provided for completing eCDRs were adequate. Our evaluation found that eCDR accuracy was excellent (98.3 percent) and that cases were properly documented and in compliance with our processing instructions. At the end of FY 2008, 31 states were conducting eCDRs, and all states will have the capability to process eCDRs by December 2008.

QUALITY REVIEW OF ATTORNEY ADJUDICATOR DECISIONS

We discuss in the *Agency Priorities as We Move Forward* section how eliminating the disability hearings backlog is our highest priority. To this end, we implemented an initiative in November 2007 allowing certain attorneys in our hearing offices to issue fully favorable decisions. We refer to fully favorable hearing decisions made without the need to conduct an actual hearing as “on-the-record” decisions.

To evaluate the accuracy of attorney adjudicators’ on-the-record decisions, we reviewed a random sample of attorney adjudicator decisions made in November and December 2007 that had been effectuated at the time of our review. We found that 96 percent of the decisions were accurate.

In FY 2009, we plan to begin an “in-process” quality review of attorney adjudicator on-the-record decisions. We will conduct “in-process” reviews prior to effectuating the decision, thereby enabling us to correct any errors identified prior to issuing the final decision.

STRATEGIC GOAL 3: TO ACHIEVE SUSTAINABLE SOLVENCY AND ENSURE SOCIAL SECURITY PROGRAMS MEET THE NEEDS OF CURRENT AND FUTURE GENERATIONS

ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS

The *Social Security Act* requires the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds to report annually to Congress on the financial and actuarial status of the two Social Security Trust Funds – Old-Age and Survivors Insurance and Disability Insurance. The *2008 OASDI Trustees Report*, issued in March 2008, showed an improvement in the projected long-term financial status of the Social Security program compared to the Trustees’ 2007 report, particularly in the latter half of the 75-year long-range period. Other report highlights included:

- The projected point at which tax revenues will fall below program costs is 2017 -- the same as the estimate in last year’s report;
- The projected point at which the Trust Funds will be exhausted is 2041 -- the same as the estimate in last year’s report;
- The projected actuarial deficit over the 75-year long-range period is 1.70 percent of taxable payroll -- down from 1.95 percent in last year’s report; and
- Over the 75-year period, the Trust Funds would require additional revenue equivalent to \$4.3 trillion in present value as of January 1, 2008, to pay all scheduled benefits.

See www.socialsecurity.gov/OACT/TR/TR08/ for the full *2008 OASDI Trustees Report* to Congress.

ANNUAL REPORT OF THE SUPPLEMENTAL SECURITY INCOME PROGRAM

We are required by law to report annually to the President and to Congress on the status of the Supplemental Security Income program. The report must include projections of program participation and costs through at least the next 25 years. The 2008 report, issued in May 2008, covered the 25-year period 2008 to 2032. Significant findings stemming from our evaluation included:

- By 2032, the end of the 25-year projection period, the population of individuals receiving Supplemental Security Income is estimated to reach 9.5 million. The projected growth in the Supplemental Security Income program over the 25-year period is largely due to the overall growth in the U.S. population. Participation is projected to vary somewhat by age group, with the 65 and older age group projected to decline, and the under 65 age group projected to increase slightly;
- Expressed as a percentage of the total U.S. population, the number of individuals receiving Supplemental Security Income increased slightly from 2.26 percent in 2005 to 2.28 percent in 2007, and it is projected to increase gradually to 2.53 percent by 2032 due largely to the changing age distribution of the population;
- Federal expenditures for Supplemental Security Income payments in 2008 are estimated to increase by \$2.3 billion to \$41.8 billion, an increase of 5.7 percent from 2007 levels;
- In constant 2008 dollars, Federal expenditures for Supplemental Security Income payments are projected to increase to \$55.4 billion in 2032, a real increase of 1.2 percent per year; and
- When compared to the Gross Domestic Product, Federal Supplemental Security Income expenditures are projected to decline over time, from the current level of 0.29 percent of the Gross Domestic Product in 2007 to 0.25 percent by 2032.

Supplemental Security Income Annual Reports provide our agency, Congress, and other interested parties with information on the future of the Supplemental Security Income program and a basis for considering and evaluating possible changes to the program. The 2008 report can be found at http://www.socialsecurity.gov/OACT/ssir/SSI08/exec_sum.html.

STRATEGIC GOAL 4: TO STRATEGICALLY MANAGE AND ALIGN STAFF TO SUPPORT THE MISSION OF THE AGENCY

EMPLOYEE EXIT SURVEY

Our nationwide Employee Exit Survey is an effective tool that we use to gather feedback from departing employees to assist us in identifying ways to improve employee retention. We conducted the exit survey from April 1, 2007 through March 31, 2008. Personnel records show that during this period, 6,100 employees separated from our agency because of retirement (50 percent), resignation (34 percent), or termination of appointment (16 percent). Based on 1,927 survey responses, we found:

- A majority of employees (66 percent) said their reason for leaving was to retire. Only 26 percent said they resigned and 8 percent said their appointment ended;
- Employees most often selected co-workers when asked to identify all of the things they liked about their jobs. Next in line were benefits, office location, salary, and hours. Also mentioned were challenging assignments and providing direct service to the public;
- Respondents most often selected workload and promotional opportunities when asked what they liked least about their jobs;

- Nearly half of the respondents said they would like to work for us in the future. A large majority said they would recommend working for us;
- A large majority of respondents (94 percent) agreed that their work was important. Similarly, 94 percent of the respondents agreed that they knew how their work related to our mission and goals. A significant number (71 percent) reported that they felt their talents were well used. The majority of respondents agreed that supervisors and team leaders encouraged development at work, made good use of employees' skills and abilities, gave employees an opportunity to improve their skills, were receptive to input, and provided good on-the-job training;
- The majority of respondents agreed that employees were rewarded for providing high quality work and services (62 percent) and that diversity was supported in the workplace (72 percent). The highest majority (91 percent) reported that their supervisors discussed their performance with them. The only statement with which fewer than half of respondents agreed was that promotions were given fairly (45 percent); and
- Employees most often identified retirement for their decision to leave the agency. Other factors were talents underutilized, lack of reward for providing high quality service, lack of promotional opportunities, lack of communication between management and employees, and unfairness in promotions.

Management uses the Employee Exit Survey data to develop strategies and action plans to improve the retention of valuable workers. Survey findings and feedback are part of an ongoing dialogue with employees concerning the factors that influence their decisions about employment with us.

ANNUAL EMPLOYEE SURVEY

The Annual Employee Survey serves as our barometer of employee satisfaction and engagement. The results are used to assess and evaluate our human capital programs. In 2007, we asked 1,900 employees to complete the Annual Employee Survey which included 45 questions that covered major human capital areas such as recruitment, development, retention, performance culture, leadership, job satisfaction, and personal work experiences. Based on 1,536 survey responses (81 percent), our employees are very committed to our mission. As a result, our 93 percent retention rate can be attributed to the level of engagement our employees have with the work they do. Below we identify both our highest positive response items and our lowest scoring items:

- Our ***highest positive response items*** identified our employees' commitment to our mission. Our employees liked the work they did, believed their work was important, and knew how their work related to the agency's goals and priorities; and
- Our ***lowest scoring response items*** identified areas that needed improvement. Employees looked for more involvement in decision-making and career development opportunities. Employees also believed we should better recognize high performers and address poor performers.

Management and the Office of Human Resources will use the responses from the Annual Employee Survey to develop agency-level human capital plans, including targeted objectives, commitments, and accountability for results. Our plans will capitalize on our strengths and address the highlighted weaknesses.

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Financial Section

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Reflecting our high standards in financial management at SSA, we have just received our 15th consecutive unqualified financial statement audit opinion for FY 2008. The unqualified opinion attests to the fair presentation of our financial statements, and demonstrates the discipline and accountability essential to our responsibilities as stewards of Social Security funds.

Additionally, our *FY 2007 Performance and Accountability Report* received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the 10th time. We are proud that SSA has received this award every year since its inception.

We also received an unqualified opinion from our auditors on our assertion that SSA's internal control over financial reporting was operating effectively during FY 2008. Not only did our auditors agree with our assertion that SSA's

internal controls are sound, but they determined that SSA had no material weaknesses or significant deficiencies. We are proud of our many testing programs that we rely on to ensure the soundness of internal controls. For example, our Financial Management Systems Review Program tests the general and application-specific information technology controls of our major programmatic and financial systems to ensure they are designed and operating effectively. Our Management Control Review Program ensures that our operational components are in compliance with our administrative, operational, and security (both logical and physical) policies. Also, in response to Office of Management and Budget Circular No. A-123, Appendix A, we developed testing programs to ensure the controls in our financial statement reporting process are working correctly.

In FY 2008, we maintained "green" scores for both status and progress on the President's Management Agenda Improved Financial Performance initiative. Building on past accomplishments, we integrated additional financial systems with our existing accounting system, the Social Security Online Accounting and Reporting System. The integration of these systems allows us to validate data and check funding from source applications in real-time, thus eliminating errors, increasing the integrity of accounting data, and providing

more timely information to managers. We also continued planning the implementation of an improved cost accounting system, which will provide more user-friendly access to information necessary to manage and account for resources and enhance decision-making.

At SSA, we are committed to building upon our tradition of responsible management of the programs entrusted to us. We strive to uphold the highest standards of integrity in discharging our fiduciary responsibilities to our fellow Americans.

Many SSA employees contribute to our goal of providing timely and reliable information to Congress and the public, and I would like to acknowledge their efforts. Our employees share a deep commitment to sound fiscal stewardship and finding better ways to deliver services that meet the changing needs of the public. We will continue to do all that we can to provide the best quality service in the coming years.

Mary Glenn-Croft

Mary E. Glenn-Croft
Chief Financial Officer
November 7, 2008

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The agency's financial statements and additional information for fiscal years (FY) 2008 and 2007 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2008 and 2007, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the periods ended September 30, 2008 and 2007. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the periods ended September 30, 2008 and 2007. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the periods ended September 30, 2008 and 2007. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.
- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.
- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated and an interpretive analysis of trends revealed by the data.

**Consolidated Balance Sheets as of
September 30, 2008 and 2007
(Dollars in Millions)**

Assets	2008	2007
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	\$ 6,949	\$ 6,146
Investments (Note 5)	2,367,138	2,182,091
Interest Receivable, Net (Note 5)	29,112	27,727
Accounts Receivable, Net (Note 6)	425	451
Total Intragovernmental	2,403,624	2,216,415
Accounts Receivable, Net (Notes 3 and 6)	8,931	8,017
Property, Plant, and Equipment, Net (Notes 3 and 7)	2,121	1,892
Other	4	5
Total Assets	\$ 2,414,680	\$ 2,226,329
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	\$ 3,937	\$ 3,802
Accounts Payable	8,044	7,656
Other	256	227
Total Intragovernmental	12,237	11,685
Benefits Due and Payable	73,127	69,938
Accounts Payable	423	372
Other	1,401	1,263
Total Liabilities	87,188	83,258
Net Position		
Unexpended Appropriations-Earmarked Funds (Note 9)	54	57
Unexpended Appropriations-Other Funds	1,724	2,222
Cumulative Results of Operations-Earmarked Funds (Note 9)	2,325,293	2,140,617
Cumulative Results of Operations-Other Funds	421	175
Total Net Position	2,327,492	2,143,071
Total Liabilities and Net Position	\$ 2,414,680	\$ 2,226,329

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Net Cost for the Years Ended
September 30, 2008 and 2007**
(Dollars in Millions)

	2008	2007
OASI Program		
Benefit Payments	\$ 505,221	481,026
Operating Expenses (Note 10)	3,379	3,099
Total Cost of OASI Program	508,600	484,125
Less: Exchange Revenues (Notes 11 and 12)	12	9
Net Cost of OASI Program	508,588	484,116
DI Program		
Benefit Payments	104,103	97,410
Operating Expenses (Note 10)	2,700	2,560
Total Cost of DI Program	106,803	99,970
Less: Exchange Revenues (Notes 11 and 12)	30	8
Net Cost of DI Program	106,773	99,962
SSI Program		
Benefit Payments	38,349	34,142
Operating Expenses (Note 10)	3,132	3,117
Total Cost of SSI Program	41,481	37,259
Less: Exchange Revenues (Notes 11 and 12)	297	261
Net Cost of SSI Program	41,184	36,998
Other		
Benefit Payments	10	8
Operating Expenses (Note 10)	1,844	
Total Cost of Other Program	1,854	1,697
Less: Exchange Revenues (Notes 11 and 12)	8	6
Net Cost of Other	1,846	1,691
Total Net Cost		
Benefit Payments	647,683	612,586
Operating Expenses (Note 10)	11,055	10,465
Total Cost	658,738	623,051
Less: Exchange Revenues (Notes 11 and 12)	347	284
Total Net Cost	\$ 658,391	\$ 622,767

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Changes in Net Position for the Years Ended
September 30, 2008 and 2007
(Dollars in Millions)**

	2008		2007	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	\$ 2,140,617	\$ 57	\$ 1,954,921	\$ 57
All Other Funds	175	2,222	(161)	1,614
Beginning Balances, Total	\$ 2,140,792	\$ 2,279	\$ 1,954,760	\$ 1,671
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds		17,840		19,335
All Other Funds		43,847		40,334
Other Adjustments				
Earmarked Funds		(10)		(9)
All Other Funds	0	(56)	0	0
Appropriations Used				
Earmarked Funds	17,833	(17,833)	19,326	(19,326)
All Other Funds	44,289	(44,289)	39,726	(39,726)
Tax Revenues-Earmarked Funds (Note 13)	671,182		647,387	
Interest Revenues-Earmarked Funds	115,105		108,457	
Transfers In/Out Without Reimbursement				
Earmarked Funds	(5,247)		(6,268)	
All Other Funds	6,957		6,652	
Railroad Retirement Interchange-Earmarked Funds	(4,184)		(4,068)	
Net Transfers In/Out				
Earmarked Funds	(9,431)		(10,336)	
All Other Funds	6,957		6,652	
Other Budgetary Financing Sources-				
Earmarked Funds	83		69	
Other Financing Sources (Non-Exchange)				
Transfers In/Out-All Other Funds	0		(17)	
Imputed Financing Sources-				
All Other Funds (Note 14)	496		541	
Other				
Earmarked Funds	0		(119)	
All Other Funds	(3,201)		(2,887)	
Total Financing Sources				
Earmarked Funds	794,772	(3)	764,784	0
All Other Funds	48,541	(498)	44,015	608
Net Cost of Operations				
Earmarked Funds	610,096		579,088	
All Other Funds	48,295		43,679	
Net Change				
Earmarked Funds	184,676	(3)	185,696	0
All Other Funds	246	(498)	336	608
Ending Balances				
Earmarked Funds	2,325,293	54	2,140,617	57
All Other Funds	421	1,724	175	2,222
Total All Funds	\$ 2,325,714	\$ 1,778	\$ 2,140,792	\$ 2,279

The accompanying notes are an integral part of these financial statements.

**Combined Statements of Budgetary Resources for the Years Ended
September 30, 2008 and 2007
(Dollars in Millions)**

	2008	2007
Budgetary Resources (Note 15)		
Unobligated Balance, Brought Forward, October 1	\$ 3,146	\$ 1,791
Recoveries of Prior Year Unpaid Obligations	619	485
Budget Authority		
Appropriation	864,648	832,560
Spending Authority from Offsetting Collections		
Earned		
Collected	4,429	3,984
Change in Receivable	1	9
Change in Unfilled Customer Orders		
Advance Received	19	348
Expenditure Transfers from Trust Funds	9,835	9,364
Subtotal	878,932	846,265
Nonexpenditure Transfers, Net	189	274
Temporarily Not Available Pursuant to Public Law	(183,086)	(183,870)
Permanently Not Available	(68)	16
Total Budgetary Resources	\$ 699,732	\$ 664,961
Status of Budgetary Resources (Note 15)		
Obligations Incurred		
Direct	\$ 692,452	\$ 657,824
Reimbursable	4,420	3,991
Subtotal	696,872	661,815
Unobligated Balances		
Apportioned	1,015	2,802
Unobligated Balance - Not Available	1,845	344
Total Status of Budgetary Resources	\$ 699,732	\$ 664,961
Change in Obligated Balance		
Obligated Balances, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 76,729	\$ 73,058
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(2,284)	(2,069)
Total Unpaid Obligated Balance, Net	74,445	70,989
Obligations Incurred, Net	696,872	661,815
Gross Outlays	(693,032)	(657,659)
Obligated Balance Transferred, Net		
Recoveries of Prior Year Unpaid Obligations, Actual	(619)	(485)
Change in Uncollected Customer Payments from Federal Sources	(238)	(215)
Obligated Balance, Net, End of Period		
Unpaid Obligations	79,950	76,729
Uncollected Customer Payments from Federal Sources	(2,522)	(2,284)
Total Unpaid Obligated Balance, Net, End of Period	\$ 77,428	\$ 74,445
Net Outlays		
Net Outlays		
Gross Outlays	\$ 693,032	\$ 657,659
Offsetting Collections	(14,045)	(13,491)
Distributed Offsetting Receipts	(21,198)	(22,400)
Net Outlays	\$ 657,789	\$ 621,768

The accompanying notes are an integral part of these financial statements.

**Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
as of January 1, 2008
(In billions)**

	Estimates from Prior Years				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u> unaudited	<u>2004</u> unaudited
Actuarial present value for the 75-year projection period of estimated future tax income received from or on behalf of:					
<i>(Note 17)</i>					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	\$18,249	\$17,515	\$16,568	\$15,290	\$14,388
Have attained retirement eligibility age (Age 62 and over)	542	477	533	464	411
Those expected to become participants (Under age 15)	17,566	16,121	15,006	13,696	12,900
All current and future participants	36,357	34,113	32,107	29,450	27,699
Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of:					
<i>(Note 17)</i>					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	29,021	27,928	26,211	23,942	22,418
Have attained retirement eligibility age (Age 62 and over)	6,958	6,329	5,866	5,395	4,933
Those expected to become participants (Under age 15)	6,933	6,619	6,480	5,816	5,578
All current and future participants	42,911	40,876	38,557	35,154	32,928
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost	-\$6,555	-\$6,763	-\$6,449	-\$5,704	-\$5,229
<i>(Note 17)</i>					
Additional Information					
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost	-\$6,555	-\$6,763	-\$6,449	-\$5,704	-\$5,229
<i>(Note 17)</i>					
Combined OASI and DI Trust Fund assets at start of period	2,238	2,048	1,859	1,687	1,531
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost, plus the combined OASI and DI Trust Fund assets at start of period	-\$4,316	-\$4,715	-\$4,591	-\$4,017	-\$3,699
<i>(Note 17)</i>					

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007 (Presented in Millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and the actuarial present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular No. A-136 *Financial Reporting Requirements*.

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal government. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds, and four general fund appropriations. LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, and Payments for Credits Against Social Security Contributions. SSA's financial statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

FUND BALANCE WITH TREASURY

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

INVESTMENTS

Daily deposits received by the OASI and DI Trust Funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the *Social Security Act*. These investments

consist of U.S. Treasury special-issue bonds. Special-issue bonds are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. Interest is computed semi-annually (June and December). They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets.

PROPERTY, PLANT, AND EQUIPMENT

SSA's property, plant, and equipment (PP&E) are recorded in the LAE program, but represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) Trust Funds. HI/SMI's share of capital assets is considered Non-Entity Assets. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, Accounting for Internal Use Software requires the capitalization of internally-developed, contractor-developed and commercial off-the-shelf (COTS) software. The capitalization threshold for most PP&E categories is \$100 thousand. Automated Data Processing and Telecommunications Site Preparation, buildings and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets purchased by the OASI, DI, and HI/SMI Trust Funds that affect budgetary obligations. However, HI/SMI's share of capital assets is considered a Non-Entity Asset.

BENEFITS DUE AND PAYABLE

Liabilities are accrued for OASI and DI benefits due for the month of September which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals, and civil litigation cases. Refer to Note 8, Liabilities.

BENEFIT PAYMENTS

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally-recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

ADMINISTRATIVE EXPENSES AND OBLIGATIONS

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

RECOGNITION OF FINANCING SOURCES

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (Federal Insurance Contributions Act (FICA) and Self Employment Contributions Act (SECA)),

drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those states choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 11, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Consolidated Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

EARMARKED FUNDS

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically-identified revenues and other financing sources only for designated activities, benefits, or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

SSA's earmarked funds are the OASI and DI Trust Funds, PTF, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

RECLASSIFICATIONS

Certain FY 2007 balances have been reclassified to conform to FY 2008 financial statement presentations, the effect of which is immaterial. The primary change occurs in the Statement of Changes in Net Position. These changes are attributable to the implementation of new FY 2008 Standard General Ledger Accounts.

2. CENTRALIZED FEDERAL FINANCING ACTIVITIES

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance, and health benefit programs. However, SSA's

financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized, and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were \$104 and \$112 million for the years ended September 30, 2008 and 2007. SSA contributions to the basic FERS plan were \$297 and \$273 million for the years ended September 30, 2008 and 2007. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were \$106 and \$100 million for the years ended September 30, 2008 and 2007. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are shown in chart 3. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable; (2) SSI overpayments collected; (3) General Fund's portion of fees collected to administer SSI State Supplementation; (4) General Fund's portion of fees collected to administer Title VIII State Supplementation; (5) SSI Attorney Fees that are returned to the Department of the Treasury General Fund; and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

Chart 3 - Non-Entity Assets as of September 30: (\$ in millions)						
	2008			2007		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
SSI Fed/State A/R	\$ 5,240	\$ (1,297)	\$ 3,943	\$ 5,123	\$ (1,623)	\$ 3,500
SSI Overpayment Coll	3,057	(72)	2,985	2,757	0	2,757
SSI State Supp Fees (GF)	141	0	141	127	0	127
Title VIII State Supp Fees (GF)	1	0	1	1	0	1
SSI Attorney Fees (GF)	5	0	5	4	0	4
PP&E (CMS)	33	0	33	34	0	34
Total	\$ 8,477	\$ (1,369)	\$ 7,108	\$ 8,046	\$ (1,623)	\$ 6,423

The SSI accounts receivable, net, have been reduced by intra-agency eliminations. SSI Federal overpayment collections are included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheet. Public Law 101-157 requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the states to SSA.

The Fund Balance with Treasury includes the General Fund's portion of fees collected to administer SSI State Supplementation. The fee collection is classified as exchange revenue. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative Fees. In addition, the Fund Balance with Treasury also includes the General Fund's cumulative portion of fees related to Title VIII State Supplementation and SSI Attorney fees.

The CMS portion of PP&E included as part of Property, Plant, and Equipment, Net on the Consolidated Balance Sheet is also recognized as a non-entity asset. The HI/SMI Trust Funds were part of SSA until CMS became a separate agency. Since a portion of HI/SMI funds were used to purchase some of the buildings SSA acquired, HI/SMI retains that portion of assets. Refer to Note 7, Property, Plant, and Equipment, for the major classes of PP&E reported on SSA's financial statements.

4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in chart 4b will not match corresponding activity on the combined SBR.

Chart 4a - Fund Balances as of September 30: (\$ in millions)			Chart 4b - Status of Fund Balances as of September 30: (\$ in millions)		
	2008	2007		2008	2007
Trust Funds*			Unobligated Balance		
OASI	\$ (329)	\$ (941)	Available	\$ 659	\$ 2,481
DI	(356)	(361)	Unavailable	1,499	76
LAE	55	9			
General Funds			Obligated Balance Not Yet		
SSI	4,329	4,445	Disbursed	2,230	1,948
Other	59	60	OASI, DI and LAE	(630)	(1,293)
Other Funds			Non-Budgetary FBWT	3,191	2,934
SSI	202	174	Total	\$ 6,949	\$ 6,146
Other	2,989	2,760			
Total	\$ 6,949	\$ 6,146			

*The term "Trust Funds" is the fund type, as defined by OMB.

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2008 and 2007 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the

cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. INVESTMENTS AND INTEREST RECEIVABLE

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest bearing securities backed by the full faith and credit of the Federal Government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Treasury Secretary to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA's investments in Special-Issue U.S. Treasury Securities are \$2,367,138 and \$2,182,091 million as of September 30, 2008 and 2007, respectively. The interest rates on these investments range from 3 ½ to 7 ¼ percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the present to the year 2023. Accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury is an Intragovernmental Interest Receivable, Net, reported on the Consolidated Balance Sheets. Interest receivable amounts are \$29,112 and \$27,727 million as of September 30, 2008 and 2007.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the U.S. Treasury. Because the OASI and DI Trust Funds and the U.S. Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. Government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Government-wide financial statements.

The U.S. Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the U.S. Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. ACCOUNTS RECEIVABLE

INTRAGOVERNMENTAL

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of \$425 and \$451 million as of September 30, 2008 and 2007 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by \$2,167 and \$1,844 million as of September 30, 2008 and 2007 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

WITH THE PUBLIC

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and state SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or received benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and state overpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30: (\$ in millions)						
	2008			2007		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	\$ 2,685	\$ (197)	\$ 2,488	\$ 2,498	\$ (166)	\$ 2,332
DI	5,018	(2,013)	3,005	4,735	(1,955)	2,780
SSI*	7,181	(1,835)	5,346	7,005	(1,781)	5,224
LAE	28	0	28	14	0	14
Subtotal	14,912	(4,045)	10,867	14,252	(3,902)	10,350
Less:						
Eliminations**	(1,936)	0	(1,936)	(2,333)	0	(2,333)
Total	\$ 12,976	\$ (4,045)	\$ 8,931	\$ 11,919	\$ (3,902)	\$ 8,017

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

Chart 6 shows that in FY 2008 and 2007, gross accounts receivable was reduced by \$1,936 and \$2,333 million as an intra-agency elimination. This intra-agency activity results primarily from Special Disability Workload (SDW) cases. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 65,000 SDW cases remaining for which SSA expects to incur a net accrued liability for the combined OASI and DI Trust Funds and an offsetting SSI receivable. OASI SDW receivables are \$639 and \$710 million as of September 30, 2008 and 2007. DI SDW receivables are less than \$1 million as of September 30, 2008 and 2007. SSI SDW net receivables are \$738 and \$1,218 million as of September 30, 2008 and 2007.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment, Net, as reported on the Consolidated Balance Sheets is reflected by major class in chart 7.

Chart 7 - Property, Plant, and Equipment as of September 30:
(\$ in millions)

Major Classes:	2008			2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 4	\$ 0	\$ 4	\$ 4	\$ 0	\$ 4
Buildings	515	(280)	235	513	(268)	245
Equipment (incl. ADP Hardware)	505	(446)	59	483	(401)	82
Internal Use Software	2,937	(1,120)	1,817	2,380	(825)	1,555
Leasehold Improvements	193	(187)	6	189	(183)	6
Total	\$ 4,154	\$ (2,033)	\$ 2,121	\$ 3,569	\$ (1,677)	\$ 1,892

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

8. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30:
(\$ in millions)

	2008			2007		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	\$ 3,937	\$ 0	\$ 3,937	\$ 3,802	\$ 0	\$ 3,802
Accounts Payable	36	8,008	8,044	38	7,618	7,656
Other	52	204	256	40	187	227
Total Intragovernmental	4,025	8,212	12,237	3,880	7,805	11,685
Benefits Due and Payable	69,977	3,150	73,127	66,924	3,014	69,938
Accounts Payable	34	389	423	16	356	372
Other	736	665	1,401	644	619	1,263
Total	\$ 74,772	\$ 12,416	\$ 87,188	\$ 71,464	\$ 11,794	\$ 83,258

ACCRUED RAILROAD RETIREMENT INTERCHANGE

The Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

INTRAGOVERNMENTAL ACCOUNTS PAYABLE

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

INTRAGOVERNMENTAL OTHER LIABILITIES

Intragovernmental Other Liabilities Covered by budgetary resources includes amounts for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts for the Federal Employees' Compensation Act (FECA), administered by DOL. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is \$58 and \$55 million as of September 30, 2008 and 2007. Intragovernmental Other Not Covered amounts include \$141 and \$127 million as of September 30, 2008 and 2007 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of the SSI State Administrative Fees.

BENEFITS DUE AND PAYABLE

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2008 and 2007. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

Chart 8b - Benefits Due and Payable as of September 30: (\$ in millions)		
	2008	2007
OASI	\$ 46,418	\$ 44,030
DI	24,116	24,017
SSI	4,529	4,224
Subtotal	75,063	72,271
Less: Intra-agency eliminations	(1,936)	(2,333)
Total	\$ 73,127	\$ 69,938

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Interest and Accounts Receivable. OASI payables are \$286 and \$325 million as of September 30, 2008 and 2007. DI payables are \$2,104 and \$2,869 million as of September 30, 2008 and 2007. In FY 2008, the DI SDW payable has decreased by the excess of discharged liabilities for adjudicated cases over continued benefit accrual for previously identified cases not yet adjudicated.

Chart 8b also shows that as of FY 2008 and 2007, gross Benefits Due and Payable was reduced by \$1,936 and \$2,333 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Interest and Accounts Receivable. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2008 and 2007.

Chart 8c - Net SDW Liability as of September 30: (\$ in millions)		
	2008	2007
Net DI Liability	\$ 2,103	\$ 2,869
Net OASI Receivable	(353)	(384)
Net SSI Receivable	(738)	(1,218)
Net Liability Due to the Public	\$ 1,012	\$ 1,267

ACCOUNTS PAYABLE

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to states and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment, is set up as an accounts payable until payment is made to the states.

OTHER LIABILITIES

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of \$298 and \$272 million as of September 30, 2008 and 2007 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated using historical payment data to project future costs. The remaining portion of Other Liabilities Not Covered by budgetary resources is leave earned but not taken.

CONTINGENT LIABILITIES

We have been apprised by the Internal Revenue Service (IRS) that twelve employment tax refund cases are pending in Federal courts throughout the country. The cases concern whether medical residents should continue to be subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. The cases concern two different IRS regulations, have led to disparate outcomes for the Government in the various courts on the question of medical resident taxation, and are being actively litigated and appealed. The Government is contesting the cases vigorously. The Department of Justice (Tax Division) is handling the litigation and SSA is not a named party. SSA is not able to make an estimate of the possible liability, if any, at this time.

9. EARMARKED FUNDS

The OASI and DI Trust Funds, PTF, and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

OASI AND DI TRUST FUNDS

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

The OASI and DI Trust Funds are primarily funded by payroll and self-employment taxes. Additional income is provided to these funds from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds and Note 5, Investments and Interest Receivable, for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments and Interest Receivable, for a discussion on Treasury securities.

PTF

PTF consists of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income Tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement, and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

SSI STATE ADMINISTRATIVE FEES

Administrative Fees collected from states are also classified as earmarked funds. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each state an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the state for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 9a for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2008 and 2007.

Chart 9a - Earmarked Funds as of September 30: Consolidating Schedule (\$ in millions)					
	2008				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (329)	\$ (356)	\$ 72	\$ 0	\$ (613)
Investments	2,150,651	216,487	0	0	2,367,138
Interest Receivable	26,403	2,709	0	0	29,112
Accounts Receivables	2,492	3,007	0	(644)	4,855
Total Assets	\$ 2,179,217	\$ 221,847	\$ 72	\$ (644)	\$ 2,400,492
LIABILITIES and NET POSITION					
Liabilities	\$ 50,584	\$ 25,199	\$ 6	\$ (644)	\$ 75,145
Total Liabilities	50,584	25,199	6	(644)	75,145
Unexpended Appropriations	0	0	54	0	54
Cumulative Results of Operations	2,128,633	196,648	12	0	2,325,293
Total Liabilities and Net Position	\$ 2,179,217	\$ 221,847	\$ 72	\$ (644)	\$ 2,400,492
Statement of Net Cost					
Program Costs	\$ 505,923	\$ 104,336	\$ (3)	\$ 0	\$ 610,256
Less Earned Revenue	1	20	139	0	160
Net Cost of Operations	\$ 505,922	\$ 104,316	\$ (142)	\$ 0	\$ 610,096
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 1,946,664	\$ 193,947	\$ 63	\$ 0	\$ 2,140,674
Non-Exchange Revenue	10,058	(1,437)	(139)	0	8,482
Net Cost of Operations	(505,922)	(104,316)	142	0	(610,096)
Taxes and Interest Revenue	677,833	108,454	0	0	786,287
Change in Net Position	181,969	2,701	3	0	184,673
Net Position End of Period	\$ 2,128,633	\$ 196,648	\$ 66	\$ 0	\$ 2,325,347

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, \$2,600 million of liabilities in the earmarked funds for the year ended September 30, 2008 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in chart 9a.

Chart 9a - Earmarked Funds as of September 30:
Consolidating Schedule
(\$ in millions)

	2007				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (941)	\$ (361)	\$ 65	\$ 0	\$ (1,237)
Investments	1,968,262	213,829	0	0	2,182,091
Interest Receivable	25,041	2,686	0	0	27,727
Accounts Receivables	2,332	2,780	0	(710)	4,402
Total Assets	\$ 1,994,694	\$ 218,934	\$ 65	\$ (710)	\$ 2,212,983
LIABILITIES and NET POSITION					
Liabilities	\$ 48,030	\$ 24,987	\$ 2	\$ (710)	\$ 72,309
Total Liabilities	48,030	24,987	2	(710)	72,309
Unexpended Appropriations	0	0	57	0	57
Cumulative Results of Operations	1,946,664	193,947	6	0	2,140,617
Total Liabilities and Net Position	\$ 1,994,694	\$ 218,934	\$ 65	\$ (710)	\$ 2,212,983
Statement of Net Cost					
Program Costs	\$ 481,615	\$ 97,589	\$ 3	\$ 0	\$ 579,207
Less Earned Revenue	0	0	119	0	119
Net Cost of Operations	\$ 481,615	\$ 97,589	\$ (116)	\$ 0	\$ 579,088
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 1,771,908	\$ 183,007	\$ 63	\$ 0	\$ 1,954,978
Adjustments	(5,042)	5,042	0	0	0
Beginning Balances, Adjusted	\$ 1,766,866	\$ 188,049	\$ 63	\$ 0	\$ 1,954,978
Non-Exchange Revenue	10,568	(1,512)	(116)	0	8,940
Net Cost of Operations	(481,615)	(97,589)	116	0	(579,088)
Taxes and Interest Revenue	650,845	104,999	0	0	755,844
Change in Net Position	179,798	5,898	0	0	185,696
Net Position End of Period	\$ 1,946,664	\$ 193,947	\$ 63	\$ 0	\$ 2,140,674

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, \$2,785 million of liabilities in the earmarked funds for the year ended September 30, 2007 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in chart 9a.

Chart 9b present the Statement of Changes in Net Position in columnar format. Eliminations have no effect on columnar totals presented for the years ended September 30, 2008 and 2007.

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: (\$ in millions)			
	2008		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 2,140,617	\$ 175	\$ 2,140,792
Budgetary Financing Sources			
Appropriations Used	17,833	44,289	62,122
Tax Revenues (Note 13)	671,182	0	671,182
Interest Revenues	115,105	0	115,105
Transfers -In/Out - Without Reimbursements	(5,247)	6,957	1,710
RailRoad Retirement Interchange	(4,184)	0	(4,184)
Net Transfers-In/Out	(9,431)	6,957	(2,474)
Other Budgetary Financing Sources	83	0	83
Other Financing Sources (Non-Exchange)			
Imputed Financing Sources (Note 14)	0	496	496
Other	0	(3,201)	(3,201)
Total Financing Sources	794,772	48,541	843,313
Net Cost of Operations	610,096	48,295	658,391
Net Change	184,676	246	184,922
Cumulative Results of Operations	\$ 2,325,293	\$ 421	\$ 2,325,714

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: (\$ in millions)			
	2008		
	Unexpended Appropriations		
	Consolidated Earmarked Funds		Consolidated Total
Beginning Balances	\$ 57		\$ 2,279
Budgetary Financing Sources			
Appropriations Received	17,840	43,847	61,687
Other Adjustments	(10)	(56)	(66)
Appropriations Used	(17,833)	(44,289)	(62,122)
Total Budgetary Financing Sources	(3)	(498)	(501)
Net Change	(3)	(498)	(501)
Total Unexpended Appropriations	54	1,724	1,778
Net Position	\$ 2,325,347	\$ 2,145	\$ 2,327,492

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: Consolidated Schedule (\$ in millions) RECLASSIFIED			
	2007		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 1,954,921	\$ (161)	\$ 1,954,760
Budgetary Financing Sources			
Appropriations Used	19,326	39,726	59,052
Tax Revenues (Note 13)	647,387	0	647,387
Interest Revenues	108,457	0	108,457
Transfers In/Out Without Reimbursement	(6,268)	6,652	384
Railroad Retirement Interchange	(4,068)	0	(4,068)
Net Transfers In/Out	(10,336)	6,652	(3,684)
Other Budgetary Financing Sources	69	0	69
Other Financing Sources (Non-Exchange)			
Transfers-In/Out	0	(17)	(17)
Imputed Financing Sources (Note 14)	0	541	541
Other	(119)	(2,887)	(3,006)
Total Financing Sources	764,784	44,015	808,799
Net Cost of Operations	579,088	43,679	622,767
Net Change	185,696	336	186,032
Cumulative Results of Operations	\$ 2,140,617	\$ 175	\$ 2,140,792

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: (\$ in millions)			
	2007		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 57	\$ 1,614	\$ 1,671
Budgetary Financing Sources			
Appropriations Received	19,335	40,334	59,669
Other Adjustments	(9)	0	(9)
Appropriations Used	(19,326)	(39,726)	(59,052)
Total Budgetary Financing Sources	0	608	608
Net Change	0	608	608
Total Unexpended Appropriations	57	2,222	2,279
Net Position	\$ 2,140,674	\$ 2,397	\$ 2,143,071

10. OPERATING EXPENSES

CLASSIFICATION OF OPERATING EXPENSES BY MAJOR PROGRAM

Chart 10a displays SSA's operating expenses for each major program. The HI/SMI Trust Funds' shares of SSA's operating expenses, which include the Medicare Prescription Drug Program, are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statements of Net Cost. OASI and DI Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of state agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 10a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)						
2008						
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,642	\$ 35	\$ 702	\$ 0	\$ 3,379	
DI	2,435	32	130	103	2,700	
SSI	3,025	0	0	107	3,132	
Other	1,820	27	0	(3)	1,844	
	\$ 9,922	\$ 94	\$ 832	\$ 207	\$ 11,055	

Chart 10a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)						
2007						
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,474	\$ 36	\$ 589	\$ 0	\$ 3,099	
DI	2,347	34	106	73	2,560	
SSI	3,013	0	0	104	3,117	
Other	1,662	24	0	3	1,689	
	\$ 9,496	\$ 94	\$ 695	\$ 180	\$ 10,465	

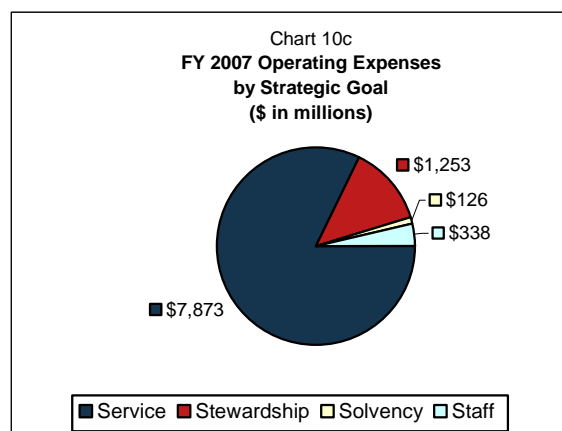
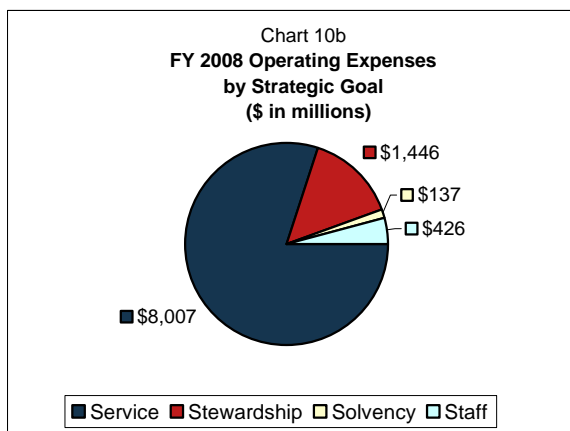
CLASSIFICATION OF OPERATING EXPENSES BY STRATEGIC GOAL

SSA's Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire Agency. The four goals are:

- Service -- To deliver high-quality, citizen-centered service;
- Stewardship -- To ensure superior stewardship of Social Security programs and resources;
- Solvency -- To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations; and
- Staff -- To strategically manage and align staff to support SSA's mission.

Charts 10b and 10c exhibit distribution of FY 2008 and 2007 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the Agency's LAE budget appropriation. OASI and DI Trust Fund Operations

and Vocational Rehabilitation expenses (see chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.



11. EXCHANGE REVENUES

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenues are \$347 and \$284 million for the years ended September 30, 2008 and 2007. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 states and the District of Columbia to administer some or all of the states' supplement to Federal SSI benefits. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of \$285 and \$250 million for the years ended September 30, 2008 and 2007.

A portion of the administrative fees we earn are non-entity assets. These fees are included within Fund Balance with Treasury in the amount of \$146 and \$131 million as of September 30, 2008 and 2007. The portion of these non-entity asset fees collected to administer SSI State Supplementation total \$141 and \$127 million as of September 30, 2008 and 2007. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of \$139 and \$119 million for the years ended September 30, 2008 and 2007 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned \$62 and \$34 million for the years ended September 30, 2008 and 2007 in other exchange revenue.

12. COSTS AND EXCHANGE REVENUE CLASSIFICATIONS

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits and imputed financing costs. Refer to Note 14, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, payroll, and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 12- Costs and Exchange Revenue Classifications as of September 30:
(\$ in millions)

	2008			2007		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	\$ 1,438	\$ (7)	\$ 1,431	\$ 1,291	\$ (6)	\$ 1,285
Public	507,162	(5)	507,157	482,834	(3)	482,831
OASI Subtotal	508,600	(12)	508,588	484,125	(9)	484,116
DI Program						
Intragovernmental	817	(7)	810	774	(5)	769
Public	105,986	(23)	105,963	99,196	(3)	99,193
DI Subtotal	106,803	(30)	106,773	99,970	(8)	99,962
SSI Program						
Intragovernmental	857	(8)	849	853	(7)	846
Public	40,624	(289)	40,335	36,406	(254)	36,152
SSI Subtotal	41,481	(297)	41,184	37,259	(261)	36,998
Other Program						
Intragovernmental	516	(5)	511	475	(4)	471
Public	1,338	(3)	1,335	1,222	(2)	1,220
Other Subtotal	1,854	(8)	1,846	1,697	(6)	1,691
Total	\$ 658,738	\$ (347)	\$ 658,391	\$ 623,051	\$ (284)	\$ 622,767

13. TAX REVENUES

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service (IRS) or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of \$671,182 and \$647,387 million for the years ended September 30, 2008 and 2007.

14. IMPUTED FINANCING

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of \$888 and \$939 million for the years ended September 30, 2008 and 2007 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life, and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of \$496 and \$541 million for the years ended September 30, 2008 and 2007 that primarily represents annual service cost not paid by SSA.

15. BUDGETARY RESOURCES

APPROPRIATIONS RECEIVED

The Combined Statements of Budgetary Resources discloses Appropriations Received of \$864,648 and \$832,560 million for the years ended September 30, 2008 and 2007. Appropriations Received on the Consolidated Statements of Changes in Net Position are \$61,687 and \$59,669 million for the same years. The primary differences of \$802,961 and \$772,891 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects, or a combination of these categories are classified as Category B. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B, and Exempt from Apportionment.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30: (\$ in millions)						
	2008			2007		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	\$ 54,704	\$ 4,415	\$ 59,119	\$ 50,450	\$ 3,991	\$ 54,441
Exempt	637,748	5	637,753	607,374	0	607,374
Total	\$ 692,452	\$ 4,420	\$ 696,872	\$ 657,824	\$ 3,991	\$ 661,815

PERMANENT INDEFINITE APPROPRIATION

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, the veterans' SSI benefits would terminate the month after leaving the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated in the OASI and DI Trust Funds. The portion of OASI and DI Trust Fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending, are included in Investments on the Consolidated Balance Sheets.

Chart 15b - OASI and DI Trust Fund Activities as of September 30: (\$ in millions)		
	2008	2007
Beginning Balance	\$ 2,108,790	\$ 1,924,920
Receipts	803,017	773,198
Less Obligations	619,933	589,328
Excess of Receipts Over Obligations	183,084	183,870
Ending Balance	\$ 2,291,874	\$ 2,108,790

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of unpaid orders of goods and/or services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are \$1,552 and \$1,481 million for the years ended September 30, 2008 and 2007.

EXPLANATION OF MATERIAL DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2007 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2008 and 2007 (Dollars in Millions)

	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 696,872	\$ 661,815
Offsetting Collections and Recoveries	(14,903)	(14,190)
Obligations Net of Offsetting Collections and Recoveries	681,969	647,625
Offsetting Receipts	(21,198)	(22,400)
Net Obligations	660,771	625,225
Other Resources		
Imputed Financing	496	541
Other	(284)	(249)
Net Other Resources Used to Finance Activities	212	292
Total Resources Used to Finance Activities	660,983	625,517
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	(50)	238
Resources that Fund Expenses Recognized in Prior Periods	0	(3)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	21,178	21,461
Resources that Finance the Acquisition of Assets	(584)	(492)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(23,197)	(24,666)
Total Resources Not Part of the Net Cost of Operations	(2,653)	(3,462)
Total Resources Used to Finance the Net Cost of Operations	658,330	622,055
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	12	0
Other	165	386
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	177	386
Components Not Requiring or Generating Resources		
Depreciation and Amortization	355	296
Other	(471)	30
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	(116)	326
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	61	712
Net Cost of Operations	\$ 658,391	\$ 622,767

Chart 16, presents a reconciliation between SSA's budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of

operations derived from the Statement of Net Costs by identifying and explaining key items that affect one statement but not the other.

17. SOCIAL INSURANCE DISCLOSURES

The Statement of Social Insurance discloses the actuarial present value for the 75-year projection period of the estimated future tax income, estimated future cost, and the excess of income over cost for the “open group” of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASI and or DI Social Insurance programs.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions specified in the 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) for the 75-year projection period beginning January 1, 2008. Similar estimates are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting actuarial present values at January 1 of the applicable year.

Estimated future tax income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on assets held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

In addition to the actuarial present value of estimated future excess of income over cost, shown in the basic financial statements, for the open group of participants, it is possible to make a similar calculation for a “closed group” of participants. The closed group of participants considered here consists of those who, in the starting year of the projection period, have attained age 15 or higher. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. In order to calculate the actuarial present value of estimated future excess of income over cost for the closed group, one would subtract the actuarial present value of estimated future cost for or on behalf of the specified group of current participants from the actuarial present value of estimated future tax income for that group of participants.

Also included in the Statement of Social Insurance as “additional information” for the open group are: (1) the actuarial present value of the excess of estimated future income over the estimated future cost; (2) the combined OASI and DI Trust Fund assets at the start the period; and (3) the sum of (1) and (2). While this additional information is not required by the applicable accounting standards, we believe their inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2008 totaled \$2,238 billion and were comprised almost entirely of investment securities which are backed by the full faith and credit of the Federal Government.

The actuarial present value, for a 75-year projection period, of estimated future excess of income over cost, plus the combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value which represents the magnitude of what is commonly referred to as the “open group unfunded obligation” of the program over the 75-year projection period. This value is included in the applicable Trustees Report and is also shown in the Report as a percentage of taxable payroll and gross domestic product over the period.

It is important to note that the open group unfunded obligation actually represents the amount of benefits scheduled in the law that would not be payable in the years after the assets in the combined OASI and DI Trust Fund become

exhausted. The OASDI program lacks borrowing authority. Thus, when reserves in the combined OASI and DI Trust Fund are depleted, the amount of money available to pay benefits and other expenses would be limited to current tax income. Therefore, barring legislative action, this unfunded obligation represents a burden that would be borne through reductions in the level of scheduled benefits and/or delays in the payment of these benefits.

ASSUMPTIONS USED FOR THE STATEMENT OF SOCIAL INSURANCE

The estimates used in this presentation for the current year (2008) are based on the assumption that the income and cost of the programs will continue at the levels scheduled under current law. They are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2008

	Total Fertility Rate ¹	Age-Sex-Adjusted Death Rate ² (per 100,000)	Period Life Expectancy At Birth ³		Net Annual Immigration (persons per year) ⁴	Real-Wage Differential ⁵ (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate ¹⁰
			Male	Female			Average Annual Wage in Covered Employment ⁶	CPI ⁷	Total Employment ⁸	Real GDP ⁹	
2008	2.06	822.2	75.4	79.9	1,250,000	1.3	4.1	2.8	0.4	2.3	4.4%
2010	2.06	812.2	75.7	80.0	1,195,000	1.3	4.0	2.8	0.9	2.7	5.6%
2020	2.03	750.5	76.9	80.9	1,130,000	1.1	3.9	2.8	0.5	2.2	5.7%
2030	2.01	689.8	78.0	81.8	1,085,000	1.1	3.9	2.8	0.4	2.1	5.7%
2040	2.00	635.9	79.0	82.6	1,050,000	1.1	3.9	2.8	0.5	2.2	5.7%
2050	2.00	588.6	80.0	83.4	1,035,000	1.1	3.9	2.8	0.4	2.1	5.7%
2060	2.00	546.8	80.8	84.2	1,030,000	1.1	3.9	2.8	0.4	2.1	5.7%
2070	2.00	509.8	81.7	84.9	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%
2080	2.00	476.8	82.4	85.6	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex assumed for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in the selected year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age assumed for the given year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services in the U.S. economy, expressed in 2000 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

The estimates used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values within 25 years from the start of the projection period. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, is available on the SSA website at: <http://www.ssa.gov/finance/> for the prior four years.

Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years

Year of Statement	Total Fertility Rate ¹	Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates ²	Net Annual Immigration (persons per year) ³	Real-Wage Differential ⁴ (percentage points)	Average Annual Percentage Change In:			Average Annual Real Interest Rate ⁸
					Average Annual Wage in Covered Employment ⁵	CPI ⁶	Total Employment ⁷	
FY 2008	2.0	0.75	1,070,000	1.1	3.9	2.8	0.5	2.9
FY 2007	2.0	0.71	900,000	1.1	3.9	2.8	0.4	2.9
FY 2006	2.0	0.72	900,000	1.1	3.9	2.8	0.4	2.9
FY 2005 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.3	3.0
FY 2004 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.4	3.0

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in the 25th year of the projection period. For the 2006 estimates, the ultimate total fertility rate was increased from 1.95 to 2.0.
2. The age-sex-adjusted death rate is computed as the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2008 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1. For the 2008 estimates, the average annual percentage reduction in death rates increased largely due to the increased ultimate assumed rate of mortality reduction for ages 15-64.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the 2008 Statement, the ultimate level of net legal immigration was increased from 600,000 to 750,000 persons per year. In addition, the method for projecting annual net other immigration was changed and the annual level of net immigration now varies throughout the projection period. For the 2008 Statement, the value shown is the average net immigration level projected for the 75 year projection period based on the levels shown in Table 1. For the 2003-2007 Statements, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period.
4. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment, and the average annual Consumer Price Index (CPI). Except for minor fluctuations, the ultimate assumption is reached within the first 10 years of the projection period.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The annual rate of change stabilizes after the first 10 years of the projection period except for minor fluctuations.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period. For the 2004 estimates, the assumption was decreased from 3.0 to 2.8 percent.
7. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2008 Statement, the average annual rate of change is consistent with the annual percentages as shown in Table 1.

8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached within the first 10 years of the projection period. For the 2006 Statement, the assumption was decreased from 3.0 to 2.9 percent. For the 2008 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2008-2004 Trustees Reports. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on Social Insurance is contained in the *Required Supplementary Information: Social Insurance* of this report.

18. RECOVERY OF MEDICARE PREMIUMS

SSA identified a systemic and recurring error in the process for recovering certain transfers to the Centers for Medicare and Medicaid Services (CMS) of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from social security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, SSA generally did not have procedures to recover Medicare premiums transferred to CMS. As a result, SSA estimates that approximately \$800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002. SSA and Health and Human Services are currently conducting research to determine the most appropriate legal resolution to this issue.

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**Other Accompanying Information: Balance Sheet by Major Program
as of September 30, 2008
(Dollars in Millions)**

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	\$ (329)	\$ (356)	\$ 4,531	\$ 3,048	\$ 55	\$ 0	\$ 6,949
Investments	2,150,651	216,487	0	0	0	0	2,367,138
Interest Receivable, Net	26,403	2,709	0	0	0	0	29,112
Accounts Receivable, Net	4	2	0	72	2,514	(2,167)	425
Total Intragovernmental	2,176,729	218,842	4,531	3,120	2,569	(2,167)	2,403,624
Accounts Receivable, Net	2,488	3,005	5,346	0	28	(1,936)	8,931
Property, Plant, and Equipment, Net	0	0	0	0	2,121	0	2,121
Other	0	0	0	0	4	0	4
Total Assets	\$ 2,179,217	\$ 221,847	\$ 9,877	\$ 3,120	\$ 4,722	\$ (4,103)	\$ 2,414,680
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	\$ 3,497	\$ 440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,937
Accounts Payable	669	634	5,810	3,062	36	(2,167)	8,044
Other	0	0	145	1	110	0	256
	4,166	1,074	5,955	3,063	146	(2,167)	12,237
Benefits Due and Payable	46,418	24,116	4,529	0	0	(1,936)	73,127
Accounts Payable	0	9	401	0	13	0	423
Other	0	0	411	3	987	0	1,401
Total Liabilities	50,584	25,199	11,296	3,066	1,146	(4,103)	87,188
Net Position							
Unexpended Appropriations-Earmarked Funds	0	0	0	54	0	0	54
Unexpended Appropriations-Other Funds	0	0	1,719	0	5	0	1,724
Cumulative Results of Operations-Earmarked Funds	2,128,633	196,648	12	0	0	0	2,325,293
Cumulative Results of Operations-Other Funds	0	0	(3,150)	0	3,571	0	421
Total Net Position	2,128,633	196,648	(1,419)	54	3,576	0	2,327,492
Total Liabilities and Net Position	\$ 2,179,217	\$ 221,847	\$ 9,877	\$ 3,120	\$ 4,722	\$ (4,103)	\$ 2,414,680

Other Accompanying Information: Schedule of Net Cost for the Year Ended September 30, 2008
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payments	\$ 505,221	\$ 0	\$ 505,221
Operating Expenses	702	2,677	3,379
Total Cost of OASI Program	505,923	2,677	508,600
Less: Exchange Revenues	1	11	12
Net Cost of OASI Program	505,922	2,666	508,588
DI Program			
Benefit Payments	104,103	0	104,103
Operating Expenses	233	2,467	2,700
Total Cost of DI Program	104,336	2,467	106,803
Less: Exchange Revenues	20	10	30
Net Cost of DI Program	104,316	2,457	106,773
SSI Program			
Benefit Payments	38,349	0	38,349
Operating Expenses	107	3,025	3,132
Total Cost of SSI Program	38,456	3,025	41,481
Less: Exchange Revenues	284	13	297
Net Cost of SSI Program	38,172	3,012	41,184
Other			
Benefit Payments	10	0	10
Operating Expenses	(3)	1,847	1,844
Total Cost of Other	7	1,847	1,854
Less: Exchange Revenues	0	8	8
Net Cost of Other	7	1,839	1,846
Total Net Cost			
Benefit Payments	647,683	0	647,683
Operating Expenses	1,039	10,016	11,055
Total Cost	648,722	10,016	658,738
Less: Exchange Revenues	305	42	347
Total Net Cost	\$ 648,417	\$ 9,974	\$ 658,391

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2008
(Dollars in Millions)

	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	\$ 1,946,664	\$ 193,947	\$ 6	\$ 0
All Other Funds	0	0	(3,012)	2,207
Beginning Balances, Total	1,946,664	193,947	(3,006)	2,207
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	43,811
Other Adjustments				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	(54)
Appropriations Used				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	44,245	(44,245)
Tax Revenues-Earmarked Funds	573,750	97,432	0	
Interest Revenues-Earmarked Funds	104,083	11,022	0	
Transfers In/Out Without Reimbursement				
Earmarked Funds	13,768	(1,046)	(133)	
All Other Funds	0	0	(2,878)	
Railroad Retirement Interchange - Earmarked Funds	(3,730)	(454)	0	
Net Transfers In/Out				
Earmarked Funds	10,038	(1,500)	(133)	
All Other Funds	0	0	(2,878)	
Other Budgetary Financing Sources-				
Earmarked Funds	20	63	0	
Other Financing Sources (Non-Exchange)				
Transfers In/Out-All Other Funds	0	0	(3,056)	
Imputed Financing Sources-All Other Funds	0	0	7	
Other				
Earmarked Funds	0	0	0	
All Other Funds	0	0	(145)	
Total Financing Sources				
Earmarked Funds	687,891	107,017	(133)	0
All Other Funds	0	0	38,173	(488)
Net Cost of Operations				
Earmarked Funds	505,922	104,316	(139)	
All Other Funds	0	0	38,311	
Net Change				
Earmarked Funds	181,969	2,701	6	0
All Other Funds	0	0	(138)	(488)
Ending Balances				
Earmarked Funds	2,128,633	196,648	12	0
All Other Funds	0	0	(3,150)	1,719
Total All Funds	\$ 2,128,633	\$ 196,648	\$ (3,138)	\$ 1,719

**Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended
September 30, 2008 (Continued)**
(Dollars in Millions)

	Other		LAE		Consolidated	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances						
Earmarked Funds	\$ 0	\$ 57	\$ 0	\$ 0	\$ 2,140,617	\$ 57
All Other Funds	0	0	3,187	15	175	2,222
Beginning Balances, Total	0	57	3,187	15	2,140,792	2,279
Budgetary Financing Sources						
Appropriations Received						
Earmarked Funds	0	17,840	0	0	0	17,840
All Other Funds	0	10	0	26	0	43,847
Other Adjustments						
Earmarked Funds	0	(10)	0	0		(10)
All Other Funds	0	0	0	(2)	0	(56)
Appropriations Used						
Earmarked Funds	17,833	(17,833)	0	0	17,833	(17,833)
All Other Funds	10	(10)	34	(34)	44,289	(44,289)
Tax Revenues-Earmarked Funds	0	0	0		671,182	
Interest Revenues-Earmarked Funds	0	0	0		115,105	
Transfers In/Out Without Reimbursement						
Earmarked Funds	(17,836)	0	0		(5,247)	
All Other Funds	0	0	9,835		6,957	
Railroad Retirement Interchange – Earmarked Funds	0	0	0		(4,184)	
Net Transfers In/Out						
Earmarked Funds	(17,836)		0		(9,431)	
All Other Funds	0		9,835		6,957	
Other Budgetary Financing Sources-						
Earmarked Funds	0		0		83	
Other Financing Sources (Non-Exchange)						
Transfers In/Out-All Other Funds	3,056		0		0	
Imputed Financing Sources-All Other Funds	0		489		496	
Other						
Earmarked Funds	0		0		0	
All Other Funds	(3,056)		0		(3,201)	
Total Financing Sources						
Earmarked Funds	(3)	(3)	0	0	794,772	(3)
All Other Funds	10	0	10,358	(10)	48,541	(498)
Net Cost of Operations						
Earmarked Funds	(3)		0		610,096	
All Other Funds	10		9,974		48,295	
Net Change						
Earmarked Funds	0	(3)	0	0	184,676	(3)
All Other Funds	0	0	384	(10)	246	(498)
Ending Balances						
Earmarked Funds	0	54	0	0	2,325,293	54
All Other Funds	0	0	3,571	5	421	1,724
Total All Funds	\$ 0	\$ 54	\$ 3,571	\$ 5	\$ 2,325,714	\$ 1,778

Required Supplementary Information: Schedule of Budgetary Resources for the Year Ended September 30, 2008

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	\$ 0	\$ 0	\$ 2,501	\$ 56	\$ 589	\$ 3,146
Recoveries of Prior Year Unpaid Obligations	2	1	380	0	236	619
Budget Authority						
Appropriations Received	692,923	109,904	43,945	17,850	26	864,648
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,377	8	44	4,429
Change in Receivable	0	0	(1)	0	2	1
Change in Unfilled Customer Orders						
Advance Received	0	0	18	0	1	19
Expenditure Transfers from Trust Funds	0	0	0	0	9,835	9,835
Subtotal	692,923	109,904	48,339	17,858	9,908	878,932
Nonexpenditure Transfers, Net	139	50	0	0	0	189
Temporary Not Available Pursuant to Public Law	(180,586)	(2,498)	(2)	0	0	(183,086)
Permanently Not Available	(1)	(1)	(54)	(10)	(2)	(68)
Total Budgetary Resources	\$ 512,477	\$ 107,456	\$ 51,164	\$ 17,904	\$ 10,731	\$ 699,732
Status of Budgetary Resources						
Obligations Incurred						
Direct	\$ 512,477	\$ 107,456	\$ 44,689	\$ 17,846	\$ 9,984	\$ 692,452
Reimbursable	0	0	4,370	5	45	4,420
Subtotal	512,477	107,456	49,059	17,851	10,029	696,872
Unobligated Balances						
Apportioned	0	0	638	21	356	1,015
Unobligated Balances - Not Available	0	0	1,467	32	346	1,845
Total Status of Budgetary Resources	\$ 512,477	\$ 107,456	\$ 51,164	\$ 17,904	\$ 10,731	\$ 699,732
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	\$ 48,030	\$ 25,048	\$ 1,951	\$ 3	\$ 1,697	\$ 76,729
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	0	0	(6)	0	(2,278)	(2,284)
Total Unpaid Obligated Balance, Net	48,030	25,048	1,945	3	(581)	74,445
Obligations Incurred, Net	512,477	107,456	49,059	17,851	10,029	696,872
Gross Outlays	(509,921)	(107,240)	(48,401)	(17,848)	(9,622)	(693,032)
Recoveries of Prior Year Unpaid Obligations, Actual	(2)	(1)	(380)	0	(236)	(619)
Change in Uncollected Payments from Federal Sources	0	0	1	0	(239)	(238)
Obligated Balance, Net, End of Period						
Unpaid Obligations	50,584	25,263	2,229	6	1,868	79,950
Uncollected Customer Payments from Federal Sources	0	0	(5)	0	(2,517)	(2,522)
Total Unpaid Obligated Balance, Net, End of Period	\$ 50,584	\$ 25,263	\$ 2,224	\$ 6	\$ (649)	\$ 77,428
Net Outlays						
Net Outlays						
Gross Outlays	\$ 509,921	\$ 107,240	\$ 48,401	\$ 17,848	\$ 9,622	\$ 693,032
Offsetting Collections	0	0	(4,395)	(7)	(9,643)	(14,045)
Distributed Offsetting Receipts	(16,456)	(1,473)	(284)	(2,985)	0	(21,198)
Net Outlays	\$ 493,465	\$ 105,767	\$ 43,722	\$ 14,856	\$ (21)	\$ 657,789

REQUIRED SUPPLEMENTARY INFORMATION: SOCIAL INSURANCE

PROGRAM DESCRIPTION

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as “Social Security,” provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2007, OASDI benefits were paid to almost 50 million beneficiaries. Eligibility and benefit amounts are determined under the laws applicable for the period. Current law provides that the amount of the monthly benefit payments for workers, or their eligible dependents or survivors, is based on the workers’ lifetime earnings histories.

The OASDI program is financed largely on a pay-as-you-go basis--that is, OASDI payroll taxes paid each year by current workers are primarily used to pay the benefits provided during that year to current beneficiaries. The retired-worker benefits it pays replaces a larger proportion of earned income for lower earners than for higher earners. The amount of OASDI income and benefits may be altered by changes in laws governing the program.

PROGRAM FINANCES AND SUSTAINABILITY

As discussed in Note 8 to the consolidated financial statements, a liability of \$69 billion as of September 30, 2008 (\$66 billion as of September 30, 2007) is included in “Benefits Due and Payable” on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date. Virtually all of this amount was paid in October 2008. Also, an asset of \$2,367 billion as of September 30, 2008 (\$2,182 billion as of September 30, 2007) is recognized for the “investments in Treasury securities.” These investments are referred to as the combined OASI and DI Trust Fund assets throughout the remainder of this Required Supplementary Information. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investment Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2008. This is because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid, or are due to be paid, because benefit payments are primarily nonexchange transactions and are not considered deferred compensation, as would be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker’s expected retirement benefits has been recognized by the time the worker retires.

REQUIRED SUPPLEMENTARY INFORMATION - While no liability has been recognized on the balance sheet for future obligations beyond those due at the reporting date, actuarial estimates are made of the long-range financial condition of the OASDI program and are presented here. Throughout this section, the following terms will generally be used as indicated:

- **income:** payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; interest income from Treasury securities held as assets of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **income excluding interest:** income, as defined above, excluding the interest income from Treasury securities held as assets of the OASI and DI Trust Funds;
- **cost:** scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **cashflow:** either income excluding interest, or cost, depending on the context, expressed in nominal dollars;
- **net cashflow:** income excluding interest less cost, expressed in nominal dollars;

- **present value:** the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the obligations as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in the 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2008 Trustees Report) (see Note 17 to the Statement of Social Insurance). The Statement of Social Insurance and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. This information includes:

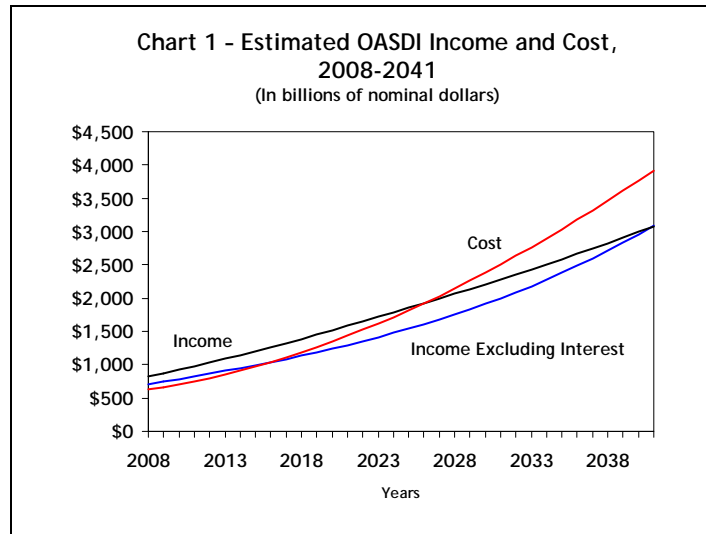
- (1) actuarial present values of future estimated cost for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;
- (2) estimated annual income (excluding interest) and cost in nominal dollars and as percentages of taxable payroll and GDP;
- (3) the ratio of estimated covered workers to estimated beneficiaries; and
- (4) an analysis of the sensitivity of the projections to changes in selected assumptions.

SUSTAINABLE SOLVENCY - Based on the estimates of income and cost presented in the Statement of Social Insurance, the OASDI program would not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program would need to be able to pay all scheduled benefits in full on a timely basis and maintain assets in the combined OASI and DI Trust Funds at all times within the 75-year projection period. In addition, the assets in the combined OASI and DI Trust Funds would need to be stable or rising as a percentage of annual program cost at the end of the period.

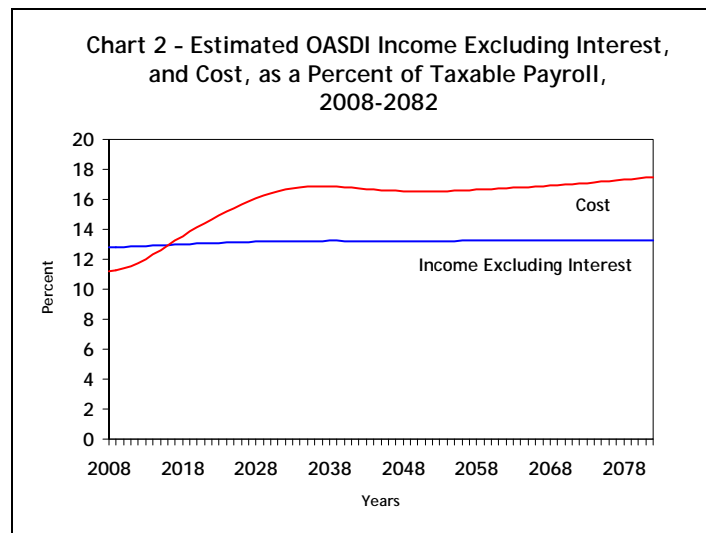
CASHFLOW PROJECTIONS - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2008-2041 in nominal dollars. These estimates are only displayed through 2041, the year that the combined OASI and DI Trust Funds are projected to become exhausted. At the point of such exhaustion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income. Thus, extension of this chart, which is intended to illustrate the tax revenue and interest accruals available to meet the cost of scheduled benefit obligations under the program, beyond the point of combined OASI and DI Trust Fund exhaustion, would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

The estimates are for the open-group population, all persons projected to participate in the OASDI program as covered workers or beneficiaries, or both, during that period. Thus, the estimates include payments from, and on behalf of, workers who will enter covered employment during the period as well as those already in covered employment at the beginning of that period. They also include cost on behalf of such workers during that period.

As chart 1 shows, estimated cost starts to exceed income (including interest) in 2027. This occurs because of a variety of factors including the retirement of the “baby boom” generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated cost starts to exceed income excluding interest in 2017. At that time, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption will differ from that of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. To finance this redemption, the government would have to increase its borrowing from the public, raise taxes (other than OASDI payroll taxes), and/or reduce expenditures (other than OASDI cost). Alternatively, the government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits.



PERCENTAGE OF TAXABLE PAYROLL - Chart 2 shows estimated annual income excluding interest and cost expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent), and the 12.4 percent that is paid on taxable self-employment income. Prior to 2017, estimated annual cost is less than estimated annual income, excluding interest, whereas thereafter it is more. After 2017, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2030 and is rising steadily at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 75 percent of the estimated cost.

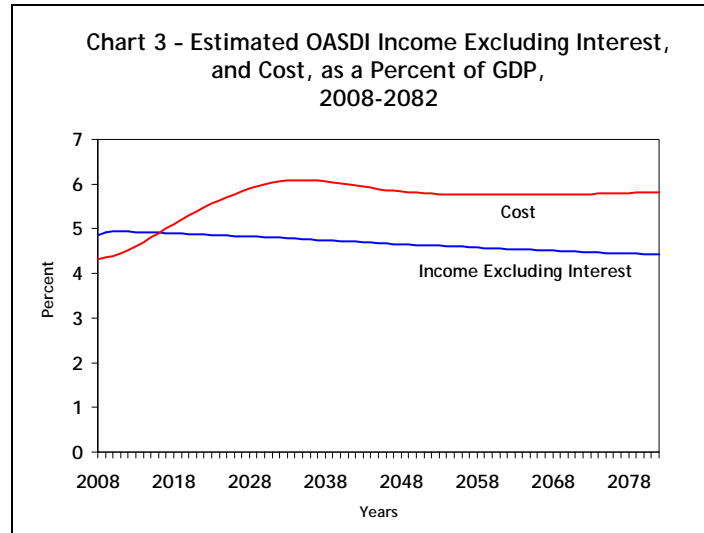


ACTUARIAL BALANCE - The Statement of Social Insurance shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -\$6,555 billion. If augmented by the combined OASI and DI Trust Fund assets at the start of the period (January 1, 2008), it is -\$4,316 billion. This excess does not equate to the actuarial balance in the Trustees Report of -1.70 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level by the end of the period.

One interpretation of this negative actuarial balance (-1.70 percent of taxable payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain

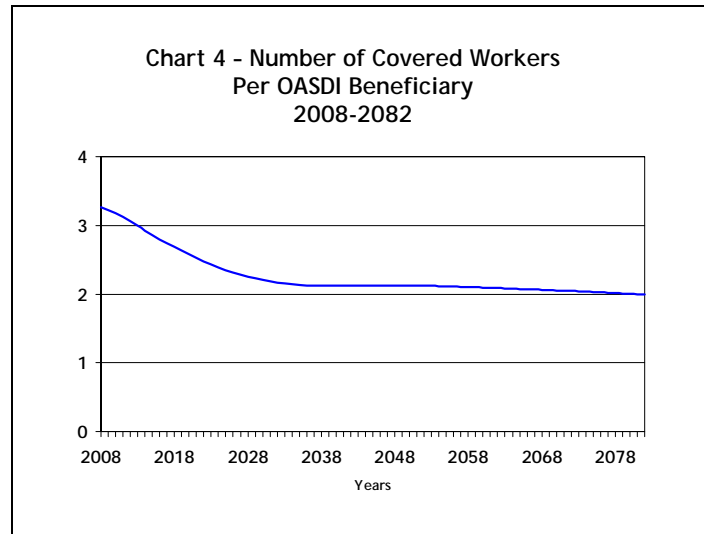
at that level. An increase of 1.70 percentage points in this rate for each year of the 75-year projection period (0.85 percentage points for employees and employers each, resulting in a total rate of 14.10 percent or a rate of 7.05 percent for each) is estimated to produce enough income to pay all benefits due under current law for that period. Alternatively, all benefits during this period could be reduced by about 11.5 percent on average (or there could be some combination of both tax increases and benefit reductions) to achieve the same effect.

PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP) - Chart 3 shows estimated annual income excluding interest and cost expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.



In 2007, OASDI cost was about \$595 billion, which was about 4.3 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.0 percent of GDP in 2030, hits a peak of 6.1 percent of GDP in 2035, and then gradually decreases to 5.8 percent of GDP by 2082. The increase will occur because baby boomers will become eligible for OASDI benefits, lower birth rates will result in fewer workers per beneficiary, and beneficiaries will continue to live longer.

RATIO OF WORKERS TO BENEFICIARIES - Chart 4 shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes on the basis of services for wages in covered employment and/or on the basis of income from covered self-employment. The estimated number of workers per beneficiary will decline from 3.3 in 2007 to 2.0 in 2082.



SENSITIVITY ANALYSIS

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because perfect long-range projections of these factors are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, mortality, net immigration, real-wage differential, consumer price index, and real interest rate. The range of values chosen for the sensitivity analysis is intended to present a reasonable range within which future experience is generally expected to fall, on average over long time periods. The range of values is not intended to represent any particular probability interval around the intermediate assumptions.

For this analysis, the intermediate assumptions in the 2008 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2008, and are based on estimates of income and cost during the 75-year projection period 2008-2082. In this section, for brevity, “income” means “income excluding interest.”

For each assumption analyzed, one table and two charts are presented. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. The middle values provided correspond to the intermediate assumption of the Trustees. The first chart shows estimated annual OASDI net cashflow based on each of those values. The second chart, labeled with the suffix “A,” shows the present value of each net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today’s dollar. Because the calculation of present values is a discounting process, the magnitude of the present value for each year in the second chart is lower than the corresponding net cashflow amount in the first chart--positive values are less positive and negative values are less negative.

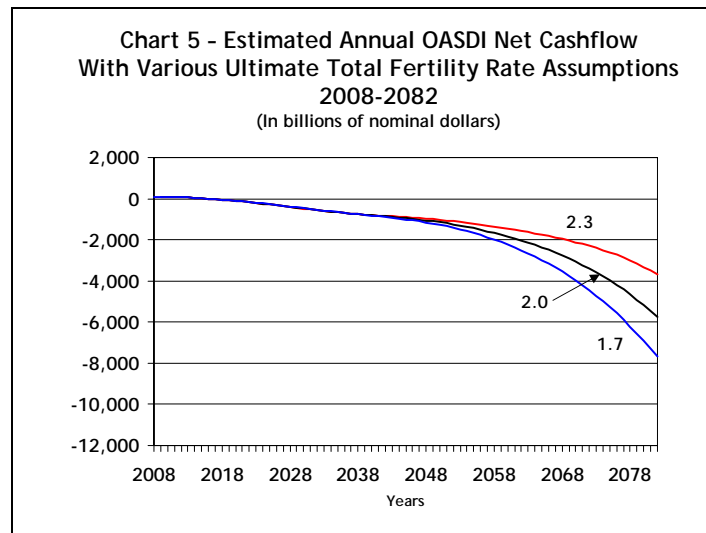
Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Reports present high-cost and low-cost alternative assumption sets which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more assumption changes may not be equal to the sum of the effects shown separately. The Trustees, in their annual report, also include estimates using a stochastic model developed by the Office of the Chief Actuary. These estimates provide an additional way of analyzing variability in assumptions, income, and cost.

TOTAL FERTILITY RATE - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the assumptions about the ultimate total fertility rate. These assumptions are 1.7, 2.0, and 2.3 children per woman, where 2.0 is the intermediate assumption in the 2008 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2032.

Table 1 demonstrates that, if the ultimate total fertility rate is changed from 2.0 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,423 billion, from \$6,555 billion; if the ultimate rate were changed to 2.3, the shortfall would decrease to \$5,702 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2008-2082			
Ultimate Total Fertility Rate	1.7	2.0	2.3
Present Value of Estimated Excess (In billions)	-\$7,423	-\$6,555	-\$5,702

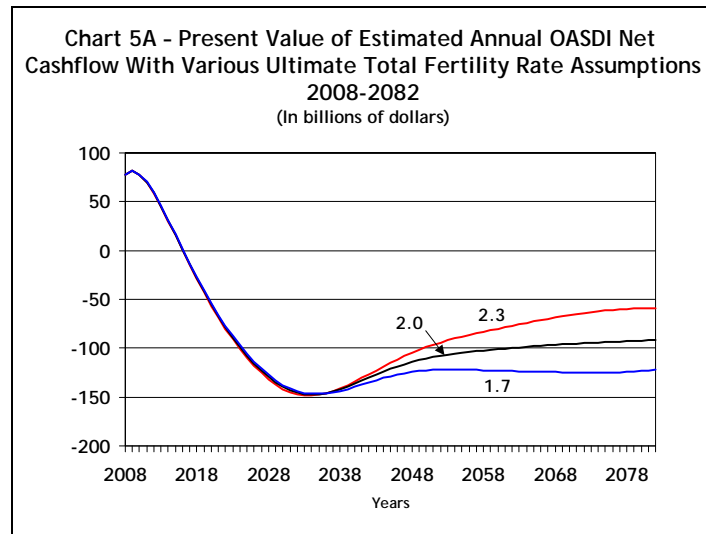
Charts 5 and 5A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing in the first two years, the net cashflow estimates decrease steadily through 2082. The net cashflow estimates corresponding to a 2.0 and 1.7 ultimate total fertility rate remain positive through 2016; whereas the estimates corresponding to a 2.3 ultimate total fertility rate remain positive through 2015. All are increasingly negative thereafter. While the fertility rate would have a substantial effect for the next 75-year period as a whole, it would have only a minor effect for the first 33 years before the combined OASI and DI Trust Funds are projected to become depleted under each of these fertility assumptions.

In the early years, higher fertility rates result in both reduced payroll taxes and increased benefits and, therefore, lower net cashflow. As the larger birth cohorts age and enter the labor force, however, the effect on payroll taxes gradually changes from a reduction to a net increase. By 2037 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from 2037 on, annual net cashflow based on higher fertility rates is higher (less negative) than annual net cashflow based on lower fertility rates.

Chart 5A shows the present value of the estimated annual OASDI net cashflow.



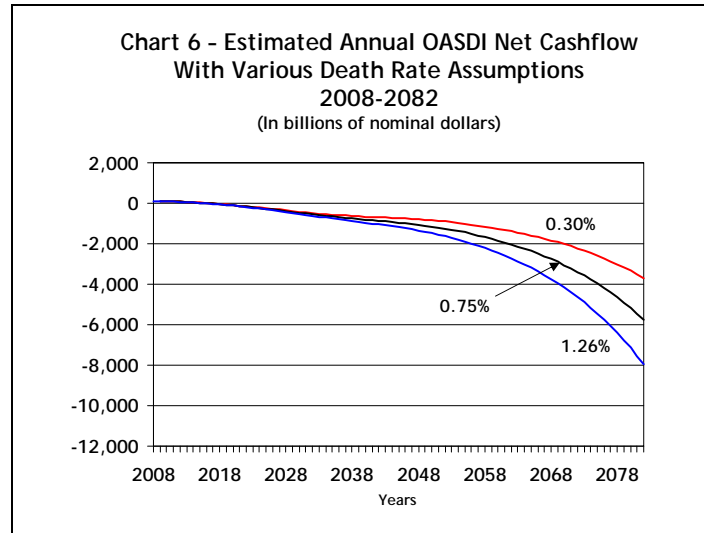
The three patterns of the present values shown in Chart 5A are similar. After increasing for one year, the present values decrease rapidly until around 2030. They remain positive through 2016 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2034 for a total fertility rate of 2.3, 2035 for a total fertility rate of 2.0, and 2035 for a total fertility rate of 1.7). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2036 than it would to cover the annual deficit in 2035.

MORTALITY - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2007-2082 in death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate, are 0.30, 0.75, and 1.26 percent per year, where 0.75 percent is the intermediate assumption in the 2008 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 20, 43, and 61 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.5 in 2007 to 80.5, 84.1, and 87.9 in 2082 for average annual reductions in the age-sex-adjusted death rate of 0.30, 0.75, and 1.26 percent, respectively.

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.75 percent, the Trustees' intermediate assumption, to 0.30 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to \$4,885 billion, from \$6,555 billion; if the annual reduction were changed to 1.26 percent, meaning that people live longer, the shortfall would increase to \$8,301 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2008-2082			
Average Annual Reduction in Death Rates (from 2007 to 2082)	0.30 Percent	0.75 Percent	1.26 Percent
Present Value of Estimated Excess (In billions)	-\$4,885	-\$6,555	-\$8,301

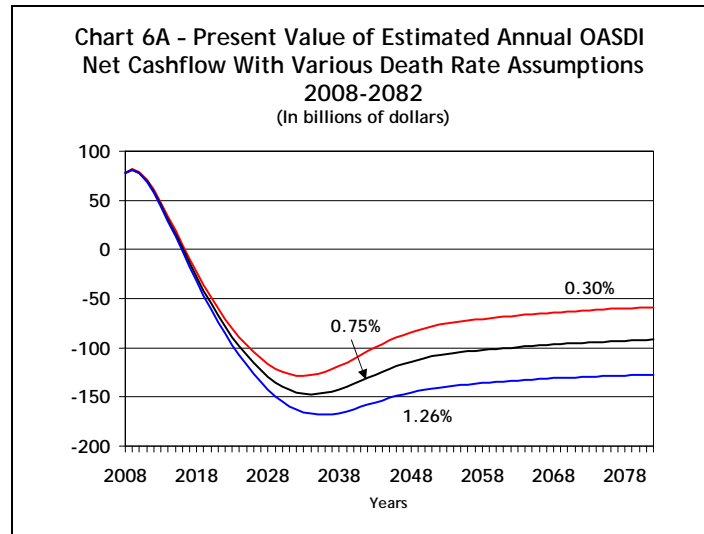
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After increasing in the first two years, the net cashflow estimates decrease steadily through 2082. The net cashflow estimates corresponding to a 0.30 percent and 0.75 percent average annual reduction in death rates remain positive through 2016, whereas the estimates corresponding to a 1.26 percent average annual reduction in death rates only remain positive through 2015. The annual net cashflow estimates for all three estimates are increasingly negative thereafter. Relatively little difference is discernible in the early years among the estimates of annual net cashflow based on the three assumptions about the reduction in death rates. Thereafter, differences become more apparent. Because annual death rates resulting from the three assumptions diverge steadily with time, resulting estimated annual OASDI net cashflows do so, too.

Although lower death rates result in both higher income and higher cost, cost increases more than income. For any given year, reductions in death rates at the earliest retirement eligibility age of 62 and older, which are the ages of highest death rates, increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits) without adding significantly to the number of covered workers (and, therefore, the amount of payroll taxes). At young ages, death rates are so low that even substantial reductions do not result in significant increases in either the number of covered workers or beneficiaries.

Chart 6A shows the present value of the estimated annual OASDI net cashflow.



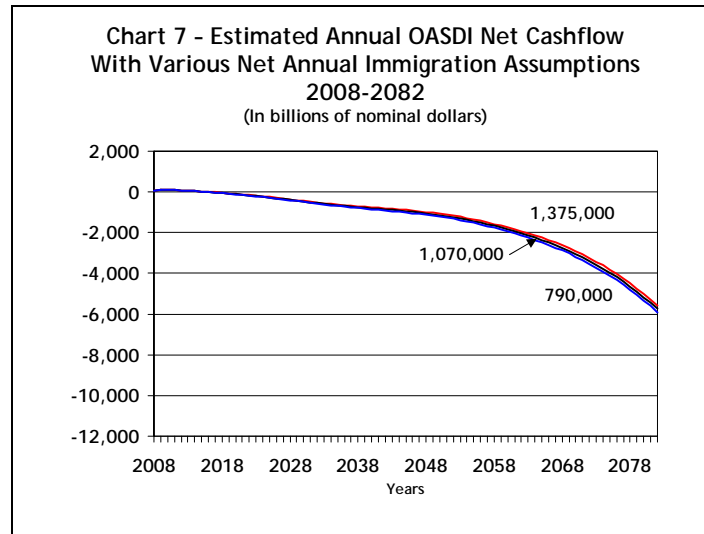
The three patterns of the present values shown in Chart 6A are similar. After increasing for the first year, the present values decrease rapidly until around 2030. They remain positive through 2016 under projected rates of mortality reduction of 0.30 and 0.75 percent, but only through 2015 under a projected rate of mortality reduction of 1.26 percent. Present values based on all three sets of assumptions begin to increase (become less negative) in the 2030's (2034, 2035, and 2037 for projected reductions of 0.30, 0.75, and 1.26 percent per year, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

NET ANNUAL IMMIGRATION - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. Assumptions are made about the levels of legal immigration, legal emigration, other immigration, and other emigration. Based on these assumptions, it is projected that net annual immigration (legal and other) will average 790,000 persons, 1,070,000 persons, and 1,375,000 persons over the 75-year valuation period, where 1,070,000 persons is the average value based on the intermediate assumptions in the 2008 Trustees Report.

Table 3 demonstrates that, if the Trustees' intermediate immigration assumptions were changed so that the average level for the 75-year period decreased from 1,070,000 persons to 790,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to \$6,950 billion, from \$6,555 billion. If instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,375,000 persons, the present value of the shortfall would decrease to \$6,141 billion.

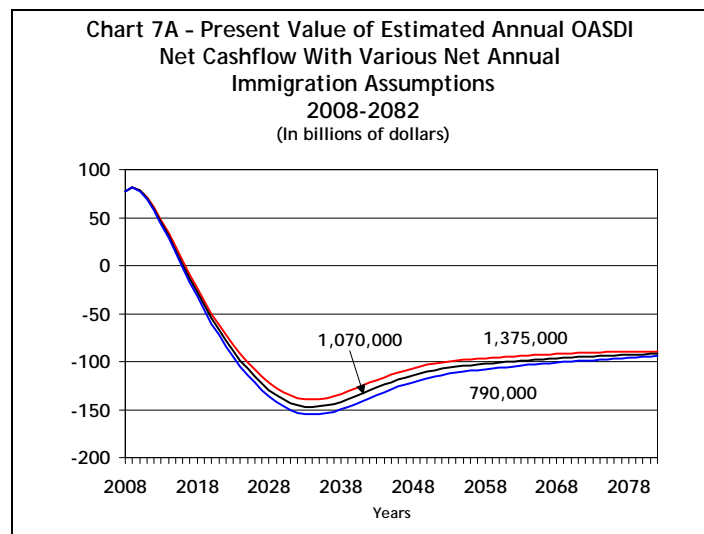
Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2008-2082			
75-Year Average Net Annual Immigration	790,000 Persons	1,070,000 Persons	1,375,000 Persons
Present Value of Estimated Excess (In billions)	-\$6,950	-\$6,555	-\$6,141

Charts 7 and 7A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 7 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 7 are similar. After increasing in the first two years, the net cashflow estimates decrease steadily through 2082. They remain positive through 2016 for the average annual net immigration levels of 1,070,000 and 1,375,000 persons but only through 2015 for an average net annual immigration level of 790,000 persons. A consistent, but slight, difference is discernible after the first few years of the projection period among the estimates of net cashflow based on the three assumptions about average annual immigration.

Chart 7A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 7A are similar. After increasing for the first year, the present values decrease rapidly until around 2030. They remain positive through 2016 for an average net annual immigration level of 1,070,000 and 1,375,000 persons and through 2015 for an average net annual immigration level of 790,000 persons, after which the present values are negative. Present values based on all three assumptions about net annual immigration begin to increase (become less negative) in 2035 for all three assumptions.

Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three sets of assumptions about annual immigration. However, as the effect of these three levels of net annual immigration accumulate, variations in present values become more apparent. Because immigration generally

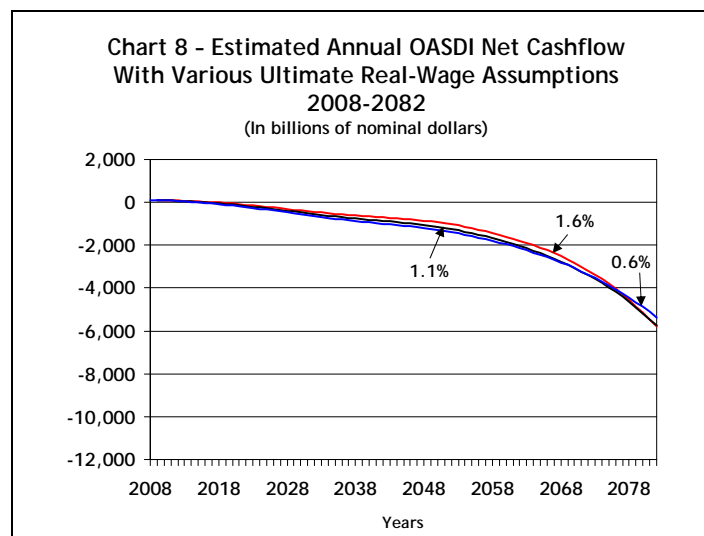
occurs at relatively young adult ages, the effects initially are similar to those of total fertility rates. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, the present values, year by year, are higher (less negative in later years) for higher net annual immigration. However, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Thus, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

REAL-WAGE DIFFERENTIAL - The real-wage differential is the difference between the percentage increases in (1) the average annual wage in OASDI covered employment and (2) the average annual Consumer Price Index (CPI). Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.6, 1.1, and 1.6 percentage points, where 1.1 percentage point is the intermediate assumption in the 2008 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 2.8 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.4, 3.9, and 4.4 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.1 percentage point, the Trustees' intermediate assumption, to 0.6 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,452 billion from \$6,555 billion; if the ultimate real-wage differential were changed from 1.1 to 1.6 percentage points, the shortfall would decrease to \$5,324 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2008-2082			
Ultimate Annual Increase in Wages, CPI; Real Wage Differential	3.4% , 2.8%; 0.6%	3.9% , 2.8%; 1.1%	4.4% , 2.8%; 1.6%
Present Value of Estimated Excess (In billions)	-\$7,452	-\$6,555	-\$5,324

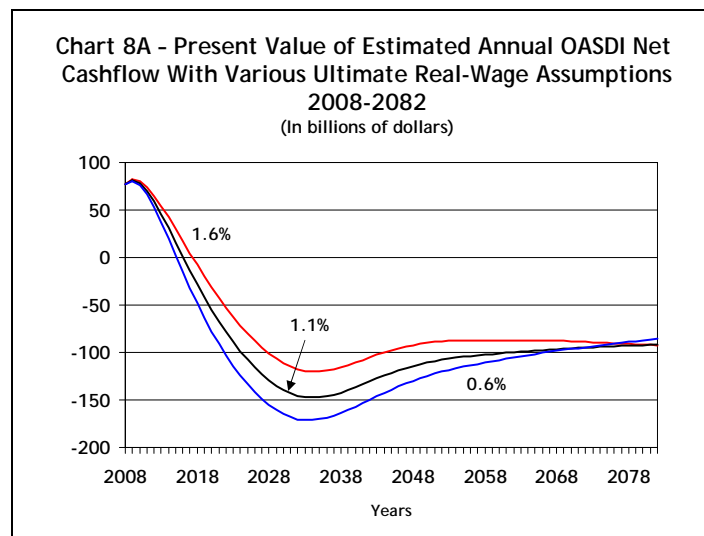
Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 8 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 8 generally increase in the early years, and then decrease steadily thereafter. Estimated net cashflow remains positive through 2015, 2016, and 2017 for assumed ultimate real-wage differentials of 0.6, 1.1, and 1.6 percentage points, respectively, and is negative thereafter.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly. However, toward the end of projection period, annual net cashflow becomes lower (more negative) for higher assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds income excluding interest. These effects are depicted by the patterns in Chart 8A crossing during the later years of the projection period.

Chart 8A shows the present value of the estimated annual OASDI net cashflow.



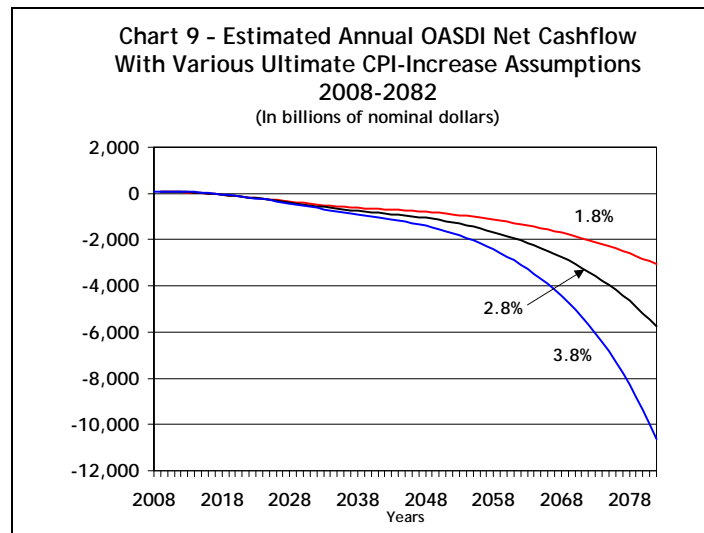
The three patterns of the present values shown in Chart 8A increase for the first year, and then, decrease rapidly until around 2030. They remain positive through 2015, 2016, and 2017 for assumed ultimate real-wage differentials of 0.6, 1.1, and 1.6 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2034, 2035, and 2035 for an assumed ultimate real-wage differential of 0.6, 1.1, and 1.6 percentage points, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real-wage differential of 1.6 percentage points, the present values continue increasing temporarily until 2056 when decreases temporarily begin again. The present values for the other two assumptions continue increasing throughout the remaining projection period. The crossover of the patterns that occurs during the later years of the projection period in Chart 8 is also evident in the present values patterns.

CONSUMER PRICE INDEX - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.8, 2.8, and 3.8 percent, where 2.8 percent is the intermediate assumption in the 2008 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.1 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 2.9, 3.9, and 4.9 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 2.8 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,034 billion, from \$6,555 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to \$6,068 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--is explained below.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate CPI-Increase Assumptions Valuation Period: 2008-2082			
Ultimate Annual Increase in Wages, CPI; Real Wage Differential	2.9% , 1.8% ; 1.1%	3.9% , 2.8% ; 1.1%	4.9% , 3.8% ; 1.1%
Present Value of Estimated Excess (In billions)	-\$7,034	-\$6,555	-\$6,068

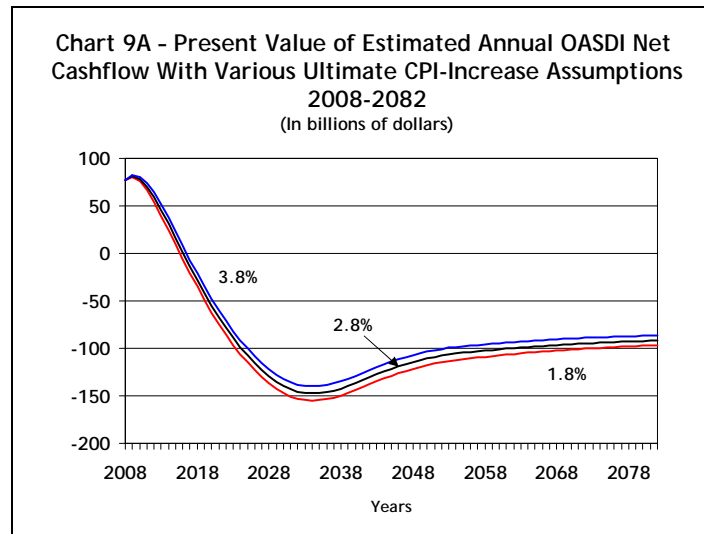
Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 9 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2082. Annual net cashflow remains positive through 2016 for assumed ultimate annual increases in the CPI of 2.8 percent and 3.8 percent; and through 2015 for an assumed ultimate annual increase in the CPI of 1.8 percent. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher benefits based on these higher wages. Larger increases in the CPI also produce higher benefits directly, by increasing the cost-of-living adjustments to benefits. Thus, larger increases in the CPI result in both higher income and higher cost in nominal dollars.

Larger increases in the CPI cause earnings and income to increase sooner, and thus by more in each year, than benefits and cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Initially (through 2021) the larger percentage increase in CPI results in a larger nominal-dollar increase in income, so net cashflow is increased for higher inflation in Chart 9. However, shortly after 2021, the lines in Chart 9 cross, indicating that net cashflow becomes lower (more negative) for higher assumed increases in the CPI. This occurs because program income begins to fall well below program cost, and thus the larger percentage increases in CPI eventually produce smaller nominal-dollar increases in income than in program cost.

Chart 9A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 9A are similar. After increasing for the first year, present values decrease rapidly until around 2030 before beginning to increase once again. They remain positive through 2016 (2015 for an assumed ultimate annual increase in the CPI of 1.8 percent) and are negative thereafter. Present values begin to increase (become less negative) in 2035 for all three assumptions. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all three patterns of annual net cashflow. For this analysis, however, larger increases in the CPI are combined with the same assumed real interest rates, thereby producing higher nominal interest rates. The effect of these higher interest rates is to reduce the magnitudes of the present values of annual net cashflow even more--the present values of positive annual net cashflow become less positive, and the present values of negative annual net cashflow become less negative. The compounding effect of the higher interest rates is strong enough, relative to the factors increasing benefits, to reduce the magnitudes of the present values of the negative annual net cashflow of the later years sufficiently to eliminate the crossover of the patterns that occurred in Chart 9.

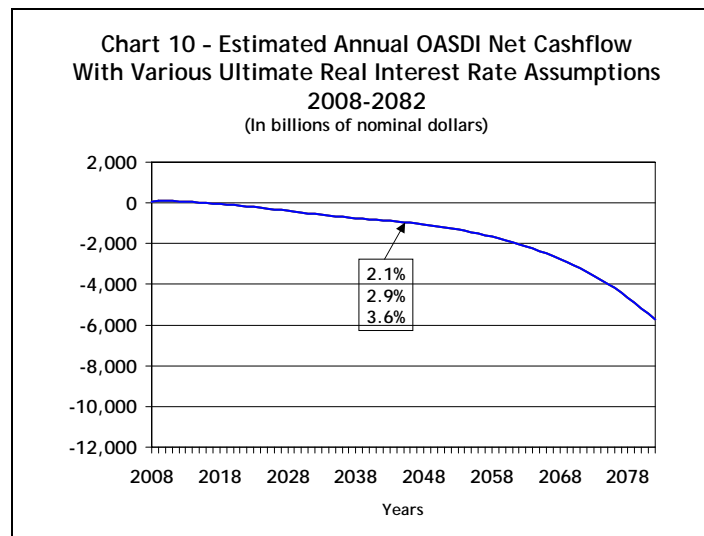
REAL INTEREST RATE - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 2.1, 2.9, and 3.6 percent, where 2.9 percent is the intermediate assumption in the 2008 Trustees Report. Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change.

Table 6 demonstrates that, if the ultimate real interest rate is changed from 2.9 percent, the Trustees' intermediate assumption, to 2.1 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms, would increase to \$8,969 billion, from \$6,555 billion; if the ultimate annual real interest rate were changed to 3.6 percent, the present-value shortfall would decrease to \$5,050 billion.

**Table 6: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Real-Interest Assumptions
Valuation Period: 2008-2082**

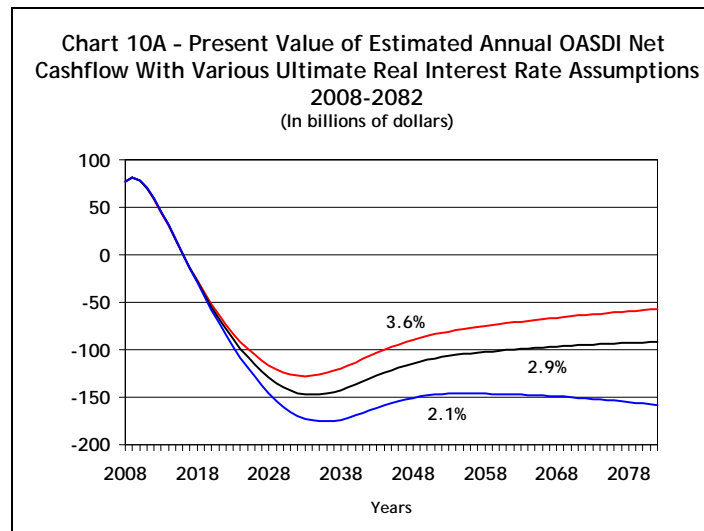
Ultimate Annual Real Interest Rate	2.1 Percent	2.9 Percent	3.6 Percent
Present Value of Estimated Excess (In billions)	-\$8,969	-\$6,555	-\$5,050

Charts 10 and 10A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 10 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow (which does not include interest) shown in Chart 10 are identical, because interest rates do not affect cashflow. After increasing through 2010, the net cashflow estimates decrease steadily through 2082. They remain positive through 2016 and are negative thereafter.

Chart 10A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 10A are similar. After increasing for the first year, the present values decrease rapidly until around 2030. They remain positive through 2016 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2037, 2035, and 2034 for assumed ultimate real interest rates of 2.1, 2.9, and 3.6 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real interest rate of 2.1 percent, the present values continue increasing temporarily, through 2055, then decrease thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

Although not observable, Chart 10A includes a crossover in the patterns of the present values of the net cashflow. The crossover occurs the year prior to the net cashflow change from positive to negative, which happens in 2016. The crossover occurs because higher interest rates result in present values that are lower in magnitude--positive amounts become less positive and negative amounts become less negative. Thus, before the time of the crossover--when the net cashflow is positive--the use of higher interest rates results in lower present values; after that time--when the net cashflow is negative--the use of higher interest rates results in higher present values--that is, present values that are less negative--thereby resulting in the crossover.

AUDITOR'S REPORTS



SOCIAL SECURITY

November 7, 2008

To: The Honorable Michael J. Astrue
Commissioner

This letter transmits the PricewaterhouseCoopers LLP (PwC) *Report of Independent Auditors* on the audit of the Social Security Administration's (SSA) Fiscal Year (FY) 2008 and 2007 financial statements. PwC's Report includes the firm's *Opinion on the Financial Statements*, *Report on Management's Assertion About the Effectiveness of Internal Control*, and *Report on Compliance and Other Matters*.

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

PwC's audit was made in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. The audit included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as considered necessary under the circumstances. Because of inherent limitations in any internal control, misstatements because of error or fraud may occur and not be detected. The risk of fraud is inherent to many of SSA's programs and operations, especially within the Supplemental Security Income program. In our opinion, people outside the organization perpetrate most of the fraud against SSA.

Audit of Financial Statements, Effectiveness of Internal Control, and Compliance with Laws and Regulations

The *Chief Financial Officers (CFO) Act of 1990* (P.L. 101-576), as amended, requires that SSA's Inspector General (IG) or an independent external auditor, as determined by the IG, audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), PwC, an independent certified public accounting firm, audited SSA's FY 2008 financial statements. PwC also audited the FY 2007 financial statements, presented in SSA's Performance and Accountability Report for FY 2008 for

comparative purposes. PwC issued an unqualified opinion on SSA's FY 2008 and 2007 financial statements. PwC also reported that SSA's assertion that its internal control over financial reporting was operating effectively as of September 30, 2008 and was fairly stated, in all material respects, based on criteria established under OMB Circular A-123, *Management's Responsibility for Internal Control*. PwC identified no reportable instances of noncompliance with the laws, regulations or other matters tested.

OIG Evaluation of PwC Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored PwC's audit of SSA's FY 2008 financial statements by

- Reviewing PwC's approach and planning of the audit;
- Evaluating the qualifications and independence of its auditors;
- Monitoring the progress of the audit at key points;
- Examining its workpapers related to planning the audit, assessing SSA's internal control, and substantive testing;
- Reviewing PwC's audit report to ensure compliance with *Government Auditing Standards* and OMB Bulletin No. 07-04;
- Coordinating the issuance of the audit report; and
- Performing other procedures we deemed necessary.

PwC is responsible for the attached auditor's report, dated November 7, 2008, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding PwC's performance under the terms of the contract. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on SSA's financial statements, management's assertions about the effectiveness of its internal control over financial reporting, or SSA's compliance with certain laws and regulations. However, our monitoring review, as qualified above, disclosed no instances where PwC did not comply with applicable auditing standards.



Patrick P. O'Carroll, Jr.
Inspector General



PricewaterhouseCoopers LLP
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 1800 Tysons Boulevard
 McLean VA 22102
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 Facsimile (703) 918 3100
www.pwc.com

Report of Independent Auditors

To the Honorable Michael J. Astrue
 Commissioner
 Social Security Administration

In our audit of the Social Security Administration (SSA), we found:

- The consolidated balance sheets of SSA as of September 30, 2008 and 2007, and the related consolidated statements of net cost and of changes in net position, and the combined statements of budgetary resources for the years then ended and the statement of social insurance as of January 1, 2008, January 1, 2007, and January 1, 2006 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- Management fairly stated that SSA's internal control over financial reporting was operating effectively as of September 30, 2008.
- No reportable instances of noncompliance with the laws, regulations or other matter tested.

The following sections outline each of these conclusions in more detail.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 2008 and 2007, and the related consolidated statements of net cost and of changes in net position, and the combined statements of budgetary resources for the years then ended and the statement of social insurance as of January 1, 2008, January 1, 2007, and January 1, 2006. These financial statements are the responsibility of SSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above and appearing on pages 90 through 120 of this performance and accountability report, present fairly, in all material respects, the financial position of SSA at September 30, 2008 and 2007, and its net cost of operations, changes in net position, and budgetary resources for the years then ended and the financial condition of its social insurance programs as of January 1, 2008, January 1, 2007, and January 1, 2006, in conformity with accounting principles generally accepted in the United States of America.



Our audit was conducted for the purpose of forming an opinion on the financial statements of SSA taken as a whole. The additional information presented on the statement of social insurance as of January 1, 2008, January 1, 2007, and January 1, 2006 is not a required part of the financial statements and is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As discussed in Note 17 to the financial statements, the statements of social insurance present the actuarial present value of SSA's estimated future income to be received from or on behalf of the participants and estimated future expenditures to be paid to or on behalf of participants during a projection period sufficient to illustrate long-term sustainability of the social insurance program. In preparing the statements of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statements of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statements of social insurance and the actual results, and those differences may be material.

REPORT ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have also examined management's assertion, included in the accompanying Federal Manager's Financial Integrity Act (FMFIA) Assurance Statement on page 39 of this Performance and Accountability Report (PAR) that SSA's internal control over financial reporting was operating effectively as of September 30, 2008 based on criteria established under OMB Circular A-123, *Management's Responsibility for Internal Control*. We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Manager's Financial Integrity Act of 1982. SSA's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04 and, accordingly, included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that SSA's internal control over financial reporting was operating effectively as of September 30, 2008, is fairly stated, in all material respects, based on criteria established under OMB Circular A-123.

We did note matters involving the internal control and its operation that we will communicate in a separate letter.



REPORT ON COMPLIANCE AND OTHER MATTERS

The management of SSA is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the compliance with laws and regulations including laws governing the use of budgetary authority, government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04 and other laws and regulations, noncompliance with which could have a direct and material effect on the financial statements. Under the Federal Financial Management Improvement Act (FFMIA) of 1996, we are required to report whether SSA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

We limited our tests of compliance to the provisions of laws and regulations cited in the preceding paragraph of this report. Providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04 and no instances of substantial non-compliance that are required to be reported under FFMIA.

OTHER INFORMATION

The Management's Discussion and Analysis (MD&A) included on pages 5 through 41, and Required Supplementary Information (RSI) included on pages 1 and 126 through 142 of this performance and accountability report are not a required part of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of SSA taken as a whole. The Schedule of Budgetary Resources, included on page 126 of this PAR, is not a required part of the financial statements but is supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. This information and the consolidating and combining information included on pages 122 to 125 of this performance and accountability report are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The other accompanying information included on pages 2 through 4, 43 through 89, 121, 143, 144, and 149 to the end of this PAR, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



This report is intended solely for the information and use of management and the Inspector General of SSA, OMB, the Government Accountability Office and Congress and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'PRICEWATERHOUSE COOPERS LLP'. The signature is written in a cursive, flowing style, with the letters 'P', 'W', 'C', and 'L' being particularly large and stylized.

November 7, 2008



SOCIAL SECURITY
The Commissioner

OCT 30 2008

PricewaterhouseCoopers LLP
1301 K Street, NW
Washington, D.C. 20005

Ladies and Gentlemen:

We have reviewed the draft *Report of Independent Auditors* concerning your audit of our fiscal year 2008 financial statements. We are extremely pleased that, for the fourth consecutive year, the report contains no findings or recommendations. This is validation of the agency's continued commitment to protecting and carefully managing the resources, assets, and programs entrusted to us. We take pride in our ability to sustain strong and vigilant financial management.

If your staff has any questions, they may contact Jeffrey C. Hild at (410) 965-0613.

Sincerely,

Michael J. Astrue

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

INSPECTOR GENERAL STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES



SOCIAL SECURITY

November 5, 2008

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (RCA) (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. RCA requires that the Agency place the final version of this Statement in its (FY) 2008 *Performance and Accountability Report*.

In November 2007, we identified six significant management and performance challenges facing the Social Security Administration for FY 2008.

- **Social Security Number Protection**
- **Internal Control Environment and Performance Measures**
- **Management of the Disability Process**
- **Systems Security and Critical Infrastructure Protection**
- **Improper Payments and Recovery of Overpayments**
- **Service Delivery and Electronic Government**

I congratulate you on the progress made during FY 2008 in addressing these challenges. My office will continue to focus on these issues in FY 2009. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively. I am providing you with the Office of the Inspector General's assessment of these six management challenges.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. O'Carroll Jr.'.

Patrick P. O'Carroll, Jr.
Inspector General

*Fiscal Year 2008
Inspector General Statement
on the
Social Security Administration's
Major Management and
Performance Challenges*



SOCIAL SECURITY NUMBER PROTECTION

In Fiscal Year (FY) 2008, the Social Security Administration (SSA) processed approximately 6 million original and 12 million replacement Social Security number (SSN) cards and received approximately \$671 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

SSA has taken significant steps over the past decade to improve controls in its enumeration process, which have provided greater SSN integrity. Nevertheless, based on our recent audit work, we continue to believe that additional steps need to be taken regarding SSN assignment and protection. To further strengthen SSN integrity, SSA should

- support legislation to limit public and private entities' collection and use of SSNs and improve the protection of this information when obtained,
- work with the Internal Revenue Service (IRS) to develop alternatives to assigning SSNs to noncitizens who are authorized to work, but may only be in the country for a few months,
- continue its efforts to safeguard and protect personally identifiable information (PII), and
- improve the Enumeration at Entry process before its expansion.

Additionally, SSA is devoting resources to developing an on-line system for issuing replacement SSN cards. While we support the Agency's decision to offer more services on-line to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system, given the IRS' experience with fraud and abuse in its e-file program. Therefore, we believe SSA should develop appropriate authentication measures to ensure a high level of security and identity assurance before moving forward in offering on-line replacement SSN cards.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Properly posting earnings is essential in determining whether individuals are eligible to receive retirement, survivor, and/or disability benefits as well as to calculate the benefit amounts. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all individuals eligible to benefits are receiving the correct payment amounts. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and/or SSNs fail to match SSA's records. As of October 2007, the ESF had accumulated approximately 275 million wage items for Tax Year While SSA cannot control all of the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the IRS to achieve more accurate wage reporting. SSA also needs to work with the Department of Homeland Security (DHS) to help resolve vulnerabilities we identified with the E-Verify program (formerly the Basic Pilot), which is a DHS initiative, in which SSA participates, that assists employers in verifying the employment eligibility of newly hired employees. In June 2008, the Commissioner of Social Security expressed his desire to work with DHS to help resolve some of the weaknesses with the E-Verify program. Specifically, he expressed the need for SSA and DHS to develop a more stringent registration process for E-Verify to reasonably guard against improper users registering and using E-Verify.

SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

Over the past decade, SSA has implemented numerous improvements to its enumeration process. We recognize that with these new procedures, the enumeration workload has increased in complexity for SSA personnel and resulted in some difficulties or delays for SSN applicants. Despite these challenges, we believe SSA's improved procedures help ensure the Agency is properly assigning these very important numbers. Some of SSA's more notable enumeration improvements include the following:

- Verifying the authenticity of most documents evidencing citizenship or lawful alien status before assigning an original SSN.
- Establishing six SSN Card Centers in Brooklyn and Queens, New York; Las Vegas, Nevada; Phoenix, Arizona (Downtown and North); and Orlando, Florida, which focus exclusively on assigning SSNs and issuing SSN cards.
- Requiring that field office personnel processing SSN applications use the Agency's SS-5 Assistant, a Microsoft Access-based application intended to increase control over the SSN application process. This program provides field office personnel processing SSN applications structured interview questions and requires certain data to complete the application process. Additionally, SSA plans to implement a web-based enumeration system known as the SSN Application Process in the next few years.
- Strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's *Social Security Number Verification Service* (SSNVS), which is an on-line verification program. SSNVS allows employers to verify the information before reporting their wages to SSA. As of August 2008, SSNVS had processed over 53 million verifications for over 33,000 registered employers.

SSA also supports DHS in administering the E-Verify program. The program was recently enhanced to include a Photo Screening Tool feature, which allows an employer to check the photographs of a new hire's *Employment Authorization Document* or *Permanent Resident Card* (Green Card) against images stored in DHS immigration databases. As of June 2008, the E-Verify program had processed more than 4 million verification requests for about 69,000 employers.

The Agency continues to modify the information it shares with employers. Under the *Intelligence Reform and Terrorism Prevention Act of 2004* (Pub. L. No. 108-458), SSA is required to add both death and fraud indicators to the SSN verification systems for employers, State agencies issuing drivers' licenses and identity cards, and other verification routines, as determined appropriate by the Commissioner of Social Security. SSA added death indicators to those verification routines used by employers and State agencies in March 2006 and added fraud indicators in August 2007.

MANAGEMENT OF THE DISABILITY PROCESS

Modernizing Federal disability programs, including SSA's disability programs, has been included on the Government Accountability Office's (GAO) high-risk list since FY 2003 due, in part, to outmoded concepts of disability, as well as ongoing challenges to make timely, accurate, and consistent decisions. Moreover, at the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level continues to increase—from 293 days in FY 2001 to 514 in FY 2008. Additionally, the pending workload continues to increase. At the end of FY 2008, the pending workload was 760,813 cases—up from 746,744 in FY 2007 and almost double the 392,387 cases in FY 2001.

As of October 2008, we were conducting a review to determine overall average processing times at each stage of the process—disability determination services (DDS), ALJ hearing, Appeals Council, and the Federal Courts. We expect to complete this work in FY 2009 and provide some insights into the process by taking a big-picture look at the whole process from the claimant's perspective—from the time they apply until they receive a check or exhaust all appeals. We will follow this with another review in FY 2009 where we will obtain information directly from disability claimants on how their lives were impacted by the length of the disability process.

In our February 2008 review of administrative law judges' (ALJ) caseload performance, we found that the Office of Disability Adjudication and Review's (ODAR) ability to process projected hearing requests and address the growing backlog of cases will continue to be negatively impacted by the caseload performance of some ALJs if their status quo performance levels continue. Accordingly, we recommended that SSA establish a performance accountability process that allows ALJ performance to be addressed when it falls below an acceptable level.

In August 2008, we issued a follow-up report to Congress highlighting that ALJs have varying levels of productivity (both high and low productivity) for internalized reasons, such as motivation and work ethic. We also reported on factors impacting ALJ and hearing office productivity and processing times, including hearing office staff levels, hearing dockets, favorable rates, individual ALJ preferences, Agency processes and DDS case development. In another review for Congress, we assessed the organizational culture at the DDS for approving and denying disability claims. This congressional request was precipitated by a media story that SSA maintains a culture to deny disability claims. In our August 2008 report, we stated that the weight of the evidence does not support the allegation that there is a culture to deny within the DDSs.

In other audits, we highlighted the need for greater oversight of ALJ training programs as well as improved management information. In our April 2008 review of the Association of ALJ's training conference costs, we found the Agency was supporting ALJ training as a way to improve ALJ productivity but could implement better controls over expenditures and attendance by running such conferences in-house. Our June 2008 report on the timeliness of medical evidence assessed the availability of management information at the hearing office and national level to assist managers in monitoring timeliness trends. After we identified an area where more accurate coding of hearing activity could improve the management information, the Agency issued new guidance to hearing offices instructing them on the proper use of these codes.

SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA's FY 2008 Semiannual Report detailed its plan to eliminate the backlog of hearing requests and prevent its recurrence. The Commissioner's plan focused on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity and (4) increasing efficiency with automation and improved business processes. However, it may take time for these new initiatives and additional resources to lead to a reduction in the backlog. As we noted earlier, the backlog of hearing requests in FY 2008 was actually greater than it was at the end of FY 2007.

Compassionate Allowances. This initiative builds on the success of the Quick Disability Determination process that identifies and allows benefits to applicants who are obviously disabled. SSA has been developing and expanding the use of automated screening tools to identify the types of cases that fall under the compassionate allowances initiative. SSA is also refining its rules, regulations, and listing codes to reflect current advances in

medical science. When SSA announced this initiative in FY 2007, the expectation was that 3 to 10 percent of new claims would be decided as compassionate allowances. However, this initiative is still in its infancy, and we expect to initiate a review in this area to determine whether it is helping address the backlog of hearing requests and prevent its recurrence.

Improve Hearing Office Procedures. As part of the two initiatives under this effort, in FY 2007 SSA focused on eliminating the backlog of aged cases that would be 1,000 days or older by the end of the FY and successfully reduced the backlog of 1,000 day-old cases to just over 100 cases. In FY 2008, SSA redefined aged cases to those that would be 900 days old or older by the end of FY 2008 and reduced the number of such cases from 135,160 to 281 cases.

Increase Adjudicatory Capacity. One of six initiatives is to improve ALJ productivity. Under this initiative, the Chief ALJ requested that each ALJ issue 500 to 700 dispositions per year. This initiative also includes appropriate training to assist ALJs with these workloads. Another initiative is hiring new ALJs. In FY 2008, SSA hired 190 new ALJs.

Increase Efficiency with Automation and Improved Business Process. One of 27 initiatives is transitioning to the electronic folder. Under this initiative, all DDSs and ODAR offices are transitioning from processing disability claims using paper folders to using electronic folders. Other initiatives in this area include electronic case file assembly, electronic scheduling, centralized printing and mailing, enhanced hearing office management information and expanded use of video hearings.

We continue to work with SSA to address the integrity of the disability program through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. Since the program's inception in FY 1998, the 19 CDI units, operating in 17 States, have been responsible for over \$1 billion in projected savings to SSA's disability programs and approximately \$665 million in projected savings to non-SSA programs. This effort will be further assisted in the new FY with the opening of a 20th CDI unit in Little Rock, Arkansas, October 2008.

IMPROPER PAYMENTS AND RECOVERY OF OVERPAYMENTS

Workers, employers, and taxpayers who fund SSA and Supplemental Security Income (SSI) programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to millions of people, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. In FY 2007, SSA issued over \$612 billion in Old-Age, Survivors and Disability Insurance (OASDI) and SSI benefit payments to about 54 million people. A January 2008 Office of Management and Budget (OMB) report, *Improving the Accuracy and Integrity of Federal Payments*, noted that nine Federal programs—including SSA's OASDI and SSI programs—accounted for more than 90 percent of the improper payments in FY 2007.

The reduction of improper payments is one of SSA's key strategic objectives. In addition, elimination of improper payments is one of the program initiatives in the President's Management Agenda (PMA), a Government-wide initiative for improving financial performance. In furtherance of this initiative, Congress passed the *Improper Payments Information Act of 2002* (Pub. L. No. 107-300), and OMB issued implementing guidance clarifying the definition of an improper payment and OMB's authority to require that agencies track programs with low error rates (that is, less than 2.5 percent) but significant improper payment amounts.

We issued a report in 2006 on overpayments in SSA's disability programs in which we estimated that SSA had not detected about \$3.2 billion in overpayments and had paid about \$2.1 billion in benefits annually to potentially ineligible beneficiaries. Although SSA tries to achieve a balance between stewardship and service, it has been a challenge due to the resources required to conduct an adequate number of medical and work-related continuing disability reviews (CDR). Although the Agency had special funding for CDRs in FYs 1996 through 2002 and SSA's data show that CDRs save about \$10 for every \$1 spent to conduct them, the Agency has cut back on this workload.

SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA has been working to improve its ability to prevent over- and underpayments by agreeing to and then implementing OIG audit recommendations. For example, in March 2008, we issued a report identifying \$7.6 million in overpayments to auxiliary beneficiaries because SSA's records did not have their SSNs on its payment records; and as a result, the Agency's data matching efforts did not detect that these individuals were incorrectly paid. When we issued the report, SSA had already recovered \$3.1 million (41 percent) of the improper payments.

We also issued a report in May 2008 showing that an estimated 2,088 SSI recipients were overpaid about \$24.8 million because they did not report their marriage to SSA. As a result, the Agency is taking corrective action to stop the improper payments and collect the overpayments. Additionally, in an April 2008 report, we determined that despite SSA's efforts to identify residency violations, about \$226.2 million in overpayments went undetected because about 40,560 recipients did not inform SSA of their absence from the United States. SSA agreed with our recommendation to obtain and analyze electronic bank statement information to prevent these types of overpayments in the future. In two other 2008 reports we identified approximately \$467 million in underpayments were owed to about 395,000 beneficiaries.

We will continue to work with SSA to identify improper payments in its programs and recommend improvements to prevent them from occurring in the future.

INTERNAL CONTROL ENVIRONMENT AND PERFORMANCE MEASURES

Sound management of public programs includes both effective internal controls and performance measurement. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. The *Federal Managers' Financial Integrity Act of 1982* (FMFIA) (Pub. L. No. 97-255) requires that the Agency establish management controls and financial systems that provide reasonable assurance the integrity of Federal programs and operations is protected. It also requires that the Commissioner, based on an evaluation, provide an annual Statement of Assurance on whether SSA has met this requirement. Similarly, OMB Circular A-123, *Management's Responsibility for Management Control*, which is issued under the authority of FMFIA, requires that the Agency and its managers take systematic and proactive measures to develop and implement appropriate, cost-effective internal control for results-oriented management. Accordingly, SSA management is responsible for determining, through performance measurement and systematic analysis, whether the programs it manages achieve intended objectives.

In FY 2008, the Commissioner reported that SSA could provide reasonable assurance that its internal controls over the effectiveness and efficiency of its operations and compliance with applicable laws and regulations was operating effectively, and no material weaknesses were found in the design or operations of the internal controls as of September 30, 2008. While we do not question the Commissioner's conclusion, we realize that SSA's overall control environment can be free of material weaknesses but still have room for improvement.

Establishing appropriate controls over the development of disability claims under the Disability Insurance (DI) and SSI programs is one of the main processes for which SSA is responsible. Disability determinations under DI and SSI are performed by DDSs in each State or other responsible jurisdictions in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2008, SSA allocated over \$1.8 billion to fund DDS operations.

From FYs 2000 through 2008, we conducted 72 DDS administrative cost audits. In 40 of the 72 audits, we identified internal control weaknesses and over \$114 million that SSA reimbursed to the States that was not properly supported or could have been put to better use. Nine of the 72 audits conducted were completed in FY 2008. Six of these audits noted similar internal control weaknesses identified in previous DDS audits and over \$4 million of questioned costs and/or funds that could have been put to better use. We believe the large dollar amounts expended by DDSs and the related internal control issues we identified warrant this issue remaining a major management challenge.

Another area that requires sound management and effective internal control is the selection and oversight of contractors assisting the Agency in meeting its mission. In FY 2008, SSA spent over \$881 million on contracts. We reviewed two of SSA's contracts in FY 2008. We generally found that the costs claimed for services provided by the contractors involved were reasonable and allowable but found room for improvement. For example, temporary badges assigned to some contract employees improperly had a "not-to-exceed date" that extended beyond the end of the contract period. Accordingly, the contract employees could have gained access to SSA facilities after they were no longer working on the contract. Also, the contract employees working status with SSA was not accurately reflected in suitability records. We believe ensuring proper oversight and controls over its contracts is inherently a major management challenge for SSA due to the total dollar amounts awarded and risks involved with contractors adequately delivering services and meeting contract objectives.

The use of performance measures provides SSA with information about program results and service quality. The *Government Performance and Results Act of 1993* (Pub. L. No. 103-62) and the PMA require the identification of outcome measures that accurately monitor programs' performance. Also, SSA managers need sound information to monitor and evaluate performance. In FY 2008, we issued four audits that addressed eight of SSA's performance

measures. All four audits released in FY 2008 were based on work initiated in FY 2007 and completed in FY 2008. The eight performance measures addressed in these four reports are listed below.

- Maintain the number of initial disability claims pending in the DDS (at/below FY 2007/2008 goal)
- DDS net accuracy rate (allowances and denials combined)
- Number of SSI disabled beneficiaries earning at least \$100 per month
- Remove 3 percent of the earnings items that remain in the ESF for a new tax year and post the earnings to the correct earnings records
- Number of periodic CDRs processed to determine continuing entitlement based on disability
- Number of SSI non-disability redeterminations processed
- SSA hearings case production per workyear
- Issue annual SSA-initiated Social Security Statements to eligible individuals age 25 and older

We concluded that the data used for two of the eight measures were reliable, and the data used for the remaining six were unreliable. Generally, when data were determined to be unreliable, it was due to weaknesses in internal or access controls over the systems used to collect and process it. Due to the control weaknesses, the data were not sufficiently secure to be certain of their integrity. The challenge SSA faces in this area is ensuring that it has reliable management information when making strategic and operational plans.

SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA has taken steps to develop internal controls over its operations and contractor performance and in developing sound performance data. SSA has generally agreed with our recommendations that address internal control weaknesses associated with DDSs and has taken the recommended steps to ensure reimbursements provided to DDSs are allowable and properly supported. Additionally, SSA is working to limit the number of employees who have access and the ability to change data in its performance data collection systems to help ensure the integrity of its management information.

While the Agency has taken steps to address our recommendations, we will continue to audit DDSs and SSA's contracts in the upcoming FY. Additionally, we plan to audit a number of grants SSA has awarded to ensure it has proper controls over the funds provided to grantees and the funding leads to the desired impact of the grants. Given the large dollar amounts involved and the importance of the work provided by DDSs, contractors and grantees, we believe it is important to monitor SSA's oversight of these entities, ensuring that funds are spent appropriately and critical missions are met.

SYSTEMS SECURITY AND CRITICAL INFRASTRUCTURE PROTECTION

The vulnerability of critical infrastructures and the unique risks associated with networked computing have been recognized for some time. Federal agencies rely heavily on information technology to run their daily operations and deliver products and services. With an increasing reliance on information technology, a growing complexity of Federal information technology infrastructure, and a constantly changing information security threat and risk environment, information security has become a mission-essential function.

SSA's information security challenge is to understand and mitigate system vulnerabilities. Weaknesses in controls over physical and logical access to its electronic information, technical security configuration standards, suitability and continuity of systems operations have been identified. The information security challenge extends to the Agency's ability to properly maintain its operations and recover from a disaster. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure they do not recur. This means ensuring the security of its critical information infrastructure and sensitive data. Federal agencies maintain significant amounts of personal information concerning individuals, often referred to as PII. The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information.

Incidents of Federal agencies losing PII demonstrate the importance of data security. The public will be reluctant to use electronic access to SSA services if it does not believe the Agency's systems and data are secure. Without due diligence, sensitive information can become available to those who are not entitled to it and may use it for personal gain. For example, in June 2008, we reported that since January 2004, the publication of the Death Master File (DMF) has resulted in the breach of PII for over 20,000 living individuals erroneously listed as deceased on the DMF. To address increasing workloads and the changing work environment, SSA constantly assesses and implements new technologies, such as the Internet Protocol version 6 and Voice over Internet Protocol. New technology often brings advantages but also presents new security challenges. SSA needs to understand and address potential risks before such technology is implemented.

SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA addresses critical information infrastructure and systems security in a variety of ways. For example, it created a Critical Infrastructure Protection work group to ensure continued compliance with various directives, such as the Homeland Security Presidential Directives (HSPD) and *Federal Information Security Management Act of 2002* (FISMA) (Pub. L. No. 107-347). HSPD 12 mandates the development of a common identification standard for all Federal employees and contractors. Federal Information Processing Standard 201, *Personal Identity Verification of Federal Employees and Contractors*, was developed to satisfy the requirements of HSPD 12. SSA worked with other agencies and OMB to address HSPD 12 and comply with Personal Identity Verification. To date, SSA has issued more than 63,000 Personal Identity Verification compliant credentials to employees and contractor personnel and is on target to issue credentials to all 85,000 employees by September 30, 2008.

To meet FISMA requirements, SSA and we annually evaluate SSA's security program. FISMA requires that agencies institute a sound information security program and framework. Since the inception of FISMA, we have worked with the Agency to ensure prompt resolution of security issues. The House Oversight and Government Reform Committee rated SSA "A+" for FY 2007 on its computer security based on its compliance with the OMB FISMA reporting guidance. This guidance merely requires that Federal agencies report on the status of certain elements of their information security programs. Reporting under these criteria does not ensure a lack of system security deficiencies.

Even though SSA is substantially compliant with the OMB FISMA requirements, there are several system security areas that the Agency could improve upon. SSA needs to ensure (1) controls to protect PII are fully developed and implemented in accordance with OMB guidance; (2) adequate incident response and reporting policies and procedures are implemented Agencywide; (3) system access controls are fully implemented to meet least privilege criteria for all users of SSA systems; (4) systems are sufficiently tested to fully meet FISMA requirements; and (5) all contractor personnel are appropriately suitability tested and receive annual security awareness training.

Additionally, SSA has taken steps in the area of PII. The Agency has established a PII Executive Steering Committee, which provides oversight and recommendations on SSA policy, and the PII Breach Response Group whose role is to engage in Agency planning if a breach occurs. SSA has developed strict policies and procedures for employees to protect PII. In May 2008, SSA began notifying the U.S. Computer Emergency Readiness Team, a partnership between DHS and the public and private sectors established to protect the Nation's Internet infrastructure, that individuals were erroneously included in the DMF. SSA is also completing an assessment of the risks involved with the affected individuals and developing an appropriate notification policy for these individuals. Because of the critical nature of PII, we plan to audit SSA's compliance with its own PII policies in the coming FY.

SSA's most important asset is the sensitive information in its databases. To ensure effective use of these databases in the future, SSA is converting them from legacy systems to more commercially used applications. This will take several years to complete. Additionally, in recent years, the need to recover from a disaster or significant event has become increasingly evident. To better enable itself to recover from such an event, SSA is building a second Data Center to handle some of the current workload of SSA's primary data center and temporarily replace the primary data center in the event of a significant incident. SSA plans to begin occupancy of this facility in January 2009, but there have been delays to the original occupancy date. Because of the importance of the new data center, we plan to continue to monitor SSA's progress.

SERVICE DELIVERY AND ELECTRONIC GOVERNMENT

Two of SSA's strategic goals in effect in FY 2008 were to deliver high-quality, "citizen-centered" service and to strategically manage and align staff to support the mission of the Agency. The service goal encompassed traditional and electronic services to applicants for benefits, beneficiaries, and the general public. It included services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. The staff goal focused on the Agency's strategies for maintaining a high-performing workforce that is prepared to deliver quality service to the American public. This management challenge includes such areas as the Representative Payee Process, Managing Human Capital, and Electronic Government.

When SSA determines a beneficiary cannot manage his or her benefits, it selects a representative payee who must use the payments for the beneficiary's interests. There are approximately 5.4 million representative payees who managed about \$52.7 billion in annual benefit payments for approximately 7.2 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure its responsibilities are met to the beneficiaries it serves.

Representative payees continue to be a significant challenge for SSA. Most notably, SSA needs to improve its identification of incapable beneficiaries in need of representative payees; selection of suitable representative payees; and subsequent monitoring to ensure beneficiaries' funds are properly managed. Our audits and investigations of representative payees have found significant problems with the management of beneficiaries' funds that, in some cases, had been occurring for several years in spite of SSA's previous identification of these problems. We are also concerned that SSA may not be aware of aged beneficiaries who may be in need of representative payees. We have found that as many as 50 percent of individuals over the age of 85 may suffer from some form of dementia or Alzheimer's disease; however, only 4.4 percent of SSA beneficiaries over age 85 have representative payees. We also identified several instances of beneficiaries who may need representative payees since their payments were sent "in-care of" nursing homes. We plan to conduct reviews focused on this population of beneficiaries who may need a representative payee but do not have one. In July 2007, the National Academy of Sciences (NAS) issued a report, *Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse*. The report contained 28 recommendations to improve SSA's representative payee program. In FY 2008, we identified several problematic conditions during our reviews of SSA's representative payee process. We plan a number of reviews that will provide information to the Agency as it attempts to implement the NAS recommendations.

GAO has included strategic human capital management on its list of high-risk Federal programs and operations since FY 2001. Further, Strategic Management of Human Capital is one of five Government-wide initiatives contained in the PMA. By the end of 2012, SSA projects its DI rolls will have increased by 35 percent. Further, the Agency projects 53 percent of its employees will be eligible to retire by FY 2017. It is expected this will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

SSA is being challenged to address its human capital shortfalls. The growing workload and retirement wave are expected to have a significant impact on SSA's ability to deliver quality service to the public. For SSA field offices to continue providing the quality service its customers expect, we believe training is needed to enable staff to remain current on Agency policies, procedures, operations, and changes in technology. Thus, the Agency's succession planning related to automated workloads is a concern. In a review of SSA field offices' training of staff, we found SSA had a structured training program, and the training was accessible to field office employees. We also found most Claims and Service Representatives responding to our questionnaire were satisfied that the general and disability-related training received for their position had helped them do their job effectively and efficiently, and the training was provided timely. However, most staff perceived the existence of barriers that prevented them from receiving training needed to perform their duties; and a lack of communication with management and expressed a need for SSA to improve the training experience. Furthermore, it is imperative that staff in mission-critical occupations possess certain competencies. We plan to examine the issue of competency gaps for mission-critical occupations during the upcoming FY.

In a review of SSA's Electronic Services (eServices), we found that over the last 9 years, SSA has automated more of its workload and is attempting to conduct more of its business with the public using eServices. However, SSA must overcome several challenges to meet its Internet services goals including increasing its use, implementing planned enhancements, and addressing critical issues. Additionally, as the Agency implements its planned expansion of eServices, it also needs to develop appropriate authentication measures tailored to each electronic application to identify individuals and maintain the security of SSA's most sensitive information. We plan to continue to monitor SSA's steps to address these challenges.

Although SSA's Internet retirement application is one of the highest rated Internet applications in the Government, SSA reported that only 15.2 percent of retirement benefit claims were filed through the Internet in FY 2008. According to Commissioner Astrue, the Agency's online filing percentage will need to increase to 50 percent within the next 5 years "in order to keep field offices from being totally overwhelmed." The Agency believes maximizing the use of modern technology and changing the service delivery model will enable SSA to continue to provide critical services to all future beneficiaries. The Agency was able to issue a number of improvements to the Internet retirement application in September 2008. However, some of the planned improvements were postponed. The application status enhancement is planned to be released at the same time the Agency releases iClaim -- its new online application for Social Security Benefits which will replace the Internet Social Security Benefits Application.

SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA has taken some actions to address the challenges of its representative payee process. SSA provided to Congress its response to the NAS report in April 2008. The Agency agreed with most of the recommendations made by NAS. For example, SSA agreed to redesign the Representative Payee System, which is SSA's database of representative payees. SSA also committed to developing an interactive video training initiative to provide better training to its employees. Additionally, SSA agreed with our report recommendations to address issues related to the suitability of representative payees who are geographically separated from the beneficiaries they serve when they conduct representative payee reviews. SSA also agreed to correct Representative Payee System records where information does not match the Master Beneficiary and Supplemental Security Records. Further, SSA agreed to follow up with organizational payees to recover debts owed to SSA. Finally, SSA has self-initiated random reviews of individual representative payees servicing fewer than 15 beneficiaries and organizational representative payees serving fewer than 50 beneficiaries.

As of September 30, 2008, SSA scored "green" in both "Current Status" and "Progress in Implementing the PMA" for Human Capital on the Executive Branch Management Scorecard. The Scorecard tracks how well the departments and major agencies are executing the five Government-wide management initiatives.

SSA has implemented various strategies to address its human capital challenges, such as filling positions before key vacancies occur, using understudies in targeted positions, conducting leadership symposiums to strengthen knowledge and skills of mid-level managers and developing plans to minimize competency gaps in mission critical occupations. The Agency reported that it also redirected and established new priorities to address its service delivery challenges. One of the priorities was to increase efficiency through technology. SSA reported using speech technology for the National 800-Number Network to reduce call handle-time, increase overall accuracy, and improve efficiency by reducing the time callers spend navigating through menu prompts. The Agency also released a newly redesigned *Social Security Online* homepage to make the website more user-friendly and to help reduce the number of unnecessary trips to the local Social Security office.

GAO reported SSA field offices largely met work demands between FYs 2005 and 2007, despite operating with fewer staff and an increased demand for services. To manage the workload, field offices shared work among offices and redirected staff to meet critical needs. The Agency also encouraged customers to make greater use of Internet and other eServices.

Studies have shown that the public wants to conduct more business via the Internet, and SSA has taken steps to address the challenges of offering eServices to the public. Since the Agency publicized that the first baby boomer to file for retirement used the Internet to file her claim, it has seen a 43-percent increase in the number of retirement applications filed on-line. SSA's Internet retirement application is one of the highest rated Internet applications in

the Government, and the Agency estimates that Internet retirement claims have saved adjudicators an average of 13 minutes, up from 9 minutes in 2006. Furthermore, SSA has been successful in familiarizing field office staff with the Internet application, with almost two-thirds of the staff saying it was very easy to assist the public when asked questions regarding the application. SSA plans to implement a redesigned Internet retirement application that features easier navigation and simple on-screen help and will only ask questions pertinent to an individual's personal situation based on information already housed in SSA's electronic records.

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Agency Priorities As We Move Forward* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires the agency to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

ENTITLEMENT REVIEWS

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the agency:

DISABILITY QUALITY ASSURANCE REVIEWS

We perform quality assurance reviews of random samples of Disability Determination Services (DDS) determinations to measure the level of accuracy against standards mandated by the Regulations. These reviews are conducted prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the state DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Review					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
% of state DDS decisions to allow or continue not returned to the DDSs for correction	96.4%	96.3%	96.3%	96.9%	97.7%
No. of cases reviewed	40,323	37,101	35,433	33,329	32,292
No. of cases returned to the DDSs due to error or inadequate documentation	1,454	1,389	1,326	1,028	729

TITLE II PREEFFECTUATION REVIEWS

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 97 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
% of state DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	95.9%	96.0%	96.3%	97.3%
No. of cases reviewed	334,774	328,189	305,233	307,884	338,440
No. of cases returned to the DDSs due to error or inadequate documentation	12,498	13,338	12,118	11,225	9,203

TITLE XVI PREEFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. The following table shows that over 98 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
% of state DDS decisions to allow not returned to the DDSs for correction	N/A	N/A	N/A	97.4%	98.1%
No. of cases reviewed	N/A	N/A	N/A	80,784	105,203
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	N/A	N/A	2,117	2,018

CONTINUING DISABILITY REVIEWS

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews (CDR) through which we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of benefits and thus must be reflected in our records. We also conduct a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Overall Accuracy	94.7%	94.9%	93.5%	95.6%	96.6%
Continuance Accuracy	95.0%	95.3%	93.8%	96.4%	97.6%
Cessation Accuracy	93.0%	93.3%	92.4%	93.5%	93.2%

OASI AND SSI QUALITY ASSURANCE REVIEWS

One of our four *Government Performance and Results Act* strategic goals is ‘to protect the integrity of Social Security programs through superior stewardship.’ One of the ways in which we ensure this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 61-64.

SSI REDETERMINATIONS

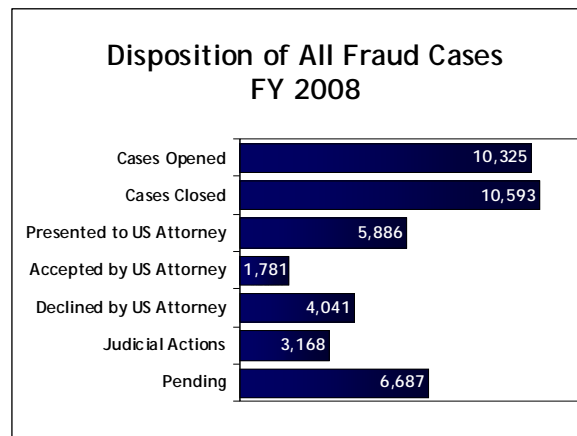
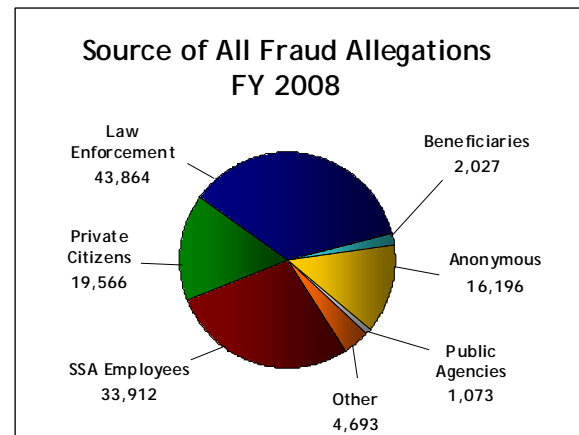
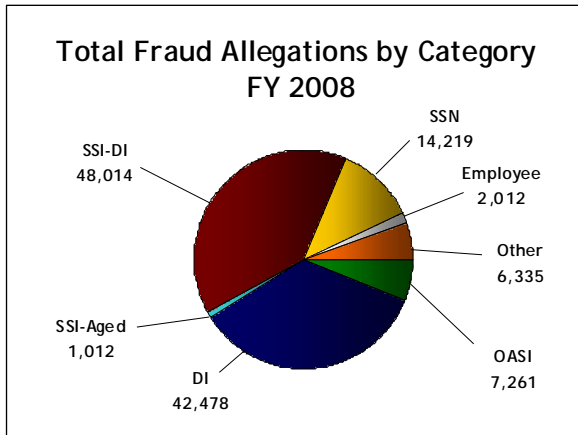
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. We set a goal for the number of SSI redeterminations to be processed in FY 2008. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on pages 59-60.

PAYMENT SAFEGUARD ACTIVITIES

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, we invested an estimated \$902 million in processing over 8.9 million cases in FY 2007. Current estimates indicate that these payment safeguard activities provided benefits to the OASDI trust funds and the United States Treasury of over \$4.7 billion in retroactive overpayments detected and future overpayments prevented. Future preventions are calculated by projecting the amount of change to recurring monthly benefits to some number of future months. The projection of the number of future months that a change in the recurring monthly benefit amount can last varies and can depend on the source of the data and/or the frequency of the activity that led to the change. The FY 2008 results of these payment safeguard activities will be available in 2009.

THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2008, as part of our fraud detection and prevention program for safeguarding the agency's assets, we worked with our Office of the Inspector General, the U.S. Attorney, and other State and local agencies on cases involving fraud and abuse. The charts below summarize the Office of the Inspector General's involvement in fraud activities throughout the fiscal year.



BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

User fee revenues of \$284 million and \$346 million in FY 2007 and FY 2008, respectively, accounted for less than one percent of our total financing sources. Over 81 percent of user fee revenues are derived from agreements with 23 states and the District of Columbia to administer some or all of the states' supplemental SSI benefits. During FY 2008, we charged a fee of \$9.95 per payment for the cost of administering state supplemental SSI payments. This fee will increase to \$10.45 for FY 2009. The user fee will be adjusted annually based on the Consumer Price Index unless we determine a different rate is appropriate for the states. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Our review of fees during FY 2008 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. We are planning to perform another review of these fees during FY 2010.

DEBT MANAGEMENT

During FY 2008, we continued our comprehensive debt collection program. We use our own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. In FY 2008, we collected \$2.81 billion in program benefit overpayments through our debt collection techniques. For a more detailed discussion of our debt collection tools, please refer to the Improper Payments Information Act of 2002 Detailed Report immediately following this section.

In addition, we continue to use the system developed in FY 2002 to analyze and monitor our debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. We recognize that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. We have underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data include all the program debt owed to the agency and are presented on a combined basis without intra-agency eliminations.

FY 2008 Quarterly Debt Management Activities (In Millions)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	\$14,390.7	\$14,434.3	\$14,562.5	\$14,912.3
Total collections (cumulative)	(843.1)	(1,628.9)	(2,400.5)	(3,241.5)
Total write-offs (cumulative)	(203.5)	(445.3)	(732.1)	(1,010.2)
TOP collections (cumulative)	(2.6)	(52.9)	(98.7)	(109.0)
Aging schedule of delinquent debts:				
- 180 days or less	1,166.6	1,012.6	1,022.9	1,106.0
- 181 days to 10 years	2,616.1	2,620.6	2,540.2	2,529.1
- Over 10 years	88.7	89.4	95.3	101.7
- Total delinquent debt	\$3,871.4	\$3,722.6	\$3,658.4	\$3,736.8

Debt Management Activities					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Total debt outstanding end of FY (millions)	\$12,260.2	\$13,154.8	\$13,662.3	\$14,253.4	\$14,912.3
% of outstanding debt					
- Delinquent	20.3%	21.8%	23.9%	24.6%	25.1%
- Estimated to be uncollectible	24.6%	24.2%	24.4%	27.4%	27.1%
New debt as a % of benefit outlays	0.8%	0.8%	0.9%	0.8%	0.9%
% of debt collected	18.3%	18.5%	20.2%	20.1%	21.3%
Cost to collect \$1	\$0.09	\$0.09	\$0.08	\$0.07	\$0.07
% change in collections from prior FY	(2.5%)	9.5%	13.4%	3.5%	11.1%
% change in delinquencies from prior FY	(2.1%)	15.3%	13.9%	7.6%	6.5%
Collections & write-offs as a % of Total Debt	18.0%	19.3%	21.2%	20.6%	21.1%
Collections as a % of clearances	71.6%	74.3%	71.1%	74.4%	75.9%
Total write-offs of debt (in millions)	\$892.7	\$841.8	\$1,123.6	\$986.1	\$1,010.2
Average number of months to clear receivables:					
- OASI	22	20	18	18	18
- DI	38	30	29	39	40
- SSI	47	42	43	42	36

IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT

BACKGROUND

We are committed to reducing improper payments. We report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that should not have been made or were made in an incorrect amount. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the *Government Performance and Results Act of 1993*.

STATISTICAL SAMPLING

The Old-Age, Survivors, and Disability Insurance (OASDI) payment accuracy rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on the SSA rolls. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We select a statistically valid national sample monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all non-medical factors of entitlement are redeveloped as of the current sample month. We input the findings to a national database for analysis and report preparation. Similarly, we determine the SSI payment accuracy rates by an annual review of a statistically valid national sample of the SSI recipient rolls, selected monthly. We determine separate rates for the accuracy of payments in terms of overpayment and underpayment dollars.

RISK-SUSCEPTIBLE PROGRAM

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and \$10 million (see Table 1). SSI's estimated improper payments are expressed separately in terms of overpayments and underpayments. For fiscal year (FY) 2007, improper payments resulting in overpayments were \$3.9 billion, or 9.1 percent of outlays. Improper payments resulting in underpayments totaled \$652 million representing 1.5 percent of total outlays. Every tenth of a percent change represents \$42.6 million dollars in error. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular No. A-11.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays, e.g., beyond the OASI, DI, and SSI programs that we administer, for the fifth consecutive year we performed a review of our administrative payments, e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments.

IMPROPER PAYMENT RATES AND TARGET GOALS

The improper payment rates for the OASI, DI, and SSI programs for FYs 2005, 2006, and 2007 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. However, there may be differences due to rounding. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data.

Target accuracy goals for FYs 2008, 2009, 2010, and 2011 for the OASDI and SSI programs are presented in Table 2. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments. For the SSI program, our goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96.0 percent for FYs 2008–2011.

Table 1: Improper Payments Experience FY 2005 - FY 2007
(\$ in millions)

	FY 2005		FY 2006		FY 2007	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	\$430,400	100%	\$454,300	100%	\$479,500	100%
Underpayments	\$507	0.12%	\$238	0.05%	\$580	0.12%
Overpayments	\$210	0.05%	\$948	0.21%	\$345	0.07%
DI						
Total Payments	\$83,800	100%	\$90,700	100%	\$97,300	100%
Underpayments	\$473	0.56%	\$442	0.49%	\$175	0.18%
Overpayments	\$2,100	2.55%	\$877	0.97%	\$864	0.89%
OASDI						
Total Payments	\$514,200	100%	\$545,000	100%	\$576,800	100%
Underpayments	\$980	0.19%	\$680	0.12%	\$754	0.13%
Overpayments	\$2,300	0.45%	\$1,824	0.33%	\$1,209	0.21%
SSI						
Total Payments	\$39,068	100%	\$40,328	100%	\$42,600	100%
Underpayments	\$528	1.4%	\$896	2.2%	\$652	1.5%
Overpayments	\$2,500	6.4%	\$3,193	7.9%	\$3,900	9.1%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2005, +0.13% and -0.11% for underpayments and +0.05% and -0.04% for overpayments; for FY 2006, +0.05% and -0.04% for underpayments and +0.24% and -0.20% for overpayment; and for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments.
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2005, +0.64% and -0.56% for underpayments and +1.81% and -1.82% for overpayments; for FY 2006, +0.64% and -0.48% for underpayments and +0.85% and -0.85% for overpayments; and for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments.
5. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2005, ±0.3% for underpayments and ±0.9% for overpayments; for FY 2006, ±0.5% for underpayments and ±1.0% for overpayments; and for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments.

Table 2: Improper Payments Reduction Outlook FY 2008 - FY 2011
(\$ in millions)

	2008 target		2009 target		2010 target		2011 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	\$605,927	100%	\$646,908	100%	\$686,633	100%	\$725,672	100%
Underpayments	\$1,212	0.2%	\$1,294	0.2%	\$1,373	0.2%	\$1,451	0.2%
Overpayments	\$1,212	0.2%	\$1,294	0.2%	\$1,373	0.2%	\$1,451	0.2%
SSI								
Total Payments	\$45,588	100%	\$48,431	100%	\$50,977	100%	\$52,806	100%
Underpayments	\$547	1.2%	\$581	1.2%	\$612	1.2%	\$634	1.2%
Overpayments	\$1,823	4.0%	\$1,937	4.0%	\$2,039	4.0%	\$2,112	4.0%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2008 data will not be available until April 2009; therefore, the rates shown are targets (goals).
3. The FYs 2008, 2009 and 2010 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2009 Budget. The projections for FY 2011 are adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in that year, yet the quality review is not affected by payment days, but rather by entitlement months.

IMPROPER PAYMENTS IN THE OASI AND DI PROGRAMS

To better track the causes of improper payments in the OASI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last five years (FYs 2003-2007), a total of over \$2.2 trillion was paid to OASI beneficiaries. Of that total, \$3.1 billion was projected to be overpaid, representing 0.14 percent of outlays. Underpayments during this same period were projected to be \$2.1 billion, the equivalent of 0.09 percent of outlays.

Applying the same analysis to the DI program, we find that over the last five years, (FY's 2003-2007), a total of over \$419.8 billion was paid to DI beneficiaries. Of that total, \$6.2 billion was overpaid, representing 1.5 percent of outlays. Underpayments during this same period totaled \$1.9 billion, the equivalent of 0.5 percent of outlays.

MAJOR CAUSES OF OASDI IMPROPER PAYMENTS

Major causes of improper overpayments in the OASDI program over this 5-year period are listed below (followed by a detailed description under the Corrective Actions section) and account for nearly 80 percent of the improper overpayments identified.

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset
- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)
- Annual Earnings Test

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, our annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. For the 5-year period from FY 2003 through FY 2007, OASDI deficiency dollars totaled \$13.3 billion, an average of about \$2.6 billion per year. Accordingly, we seek continuous improvement in our processes to minimize improper payments.

CORRECTIVE ACTIONS

SGA: Although SGA is strictly an issue for Title II DI cases, errors attributed to SGA accounted for almost 50 percent of all OASDI overpayment deficiency dollars for the last five FYs (2003-2007).

Currently, SGA-related deficiency dollars are at the lowest level in the last five years. However, errors involving SGA remain a significant problem area and while the number of SGA error cases remains low, the error dollars for these cases are often substantial. In terms of all errors (both overpayments and underpayments) for FYs 2003 through 2007, SGA accounted for about 36 percent of total OASDI deficiency dollars.

The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. About 85 percent of the deficiency dollars associated with SGA are due to the beneficiary's failure to report that he/she is working. The remaining 15 percent of the deficiency dollars is associated with cases where we receive notice of work activity, but fail to take appropriate action to adjust payment. To address the "failure to report" issue, we are analyzing a segment of cases to determine if improvements can be made in the alerts and work development. Currently, many invalid work alerts are generated which creates non-productive work. In addition, requests for work development are not initiated until an SSA employee reviews work history based on alerts produced by postings to the Modernized Earnings File. Our current analysis will determine if it is more efficient to automate work development requests much earlier in the process.

DEATH NOTIFICATION: Timely and accurate death data enables us to better effectively administer programs and increase prevention of incorrect payments. We are working with state governments and other jurisdictions to improve the current death registration process. The most efficient manner to improve timeliness and accuracy of state data is by using an Electronic Death Registration (EDR) system, a web-based automation of the death registration process. EDR electronically links the participants in death registration and contains an online real-time Social Security Number (SSN) verification process. Our goal is to receive a verified death report within five days of death and within 24 hours of the report's receipt in the state repository. EDR helps improve the accuracy of the death master file that we share with other Federal agencies. We currently receive death data via EDR from 22 states, New York City, and the District of Columbia. Eight states are in the process of implementing EDR. These states will implement during FYs 2008-2010.

COMPUTATIONS: For the last five FYs (2003-2007), errors attributed to computations accounted for about 64 percent of all OASDI underpayment deficiency dollars and 12 percent of all OASDI overpayment deficiency dollars. In terms of all errors, computations accounted for 19 percent of total OASDI deficiency dollars for the period.

For the 5-year period, leading causes of computational-related underpayments were calculations involving the Windfall Elimination Provision (WEP), family maximums, Automatic Earnings Reappraisal Operation (AERO), primary insured amount, and adjusted retirement factor/delayed retirement credit. WEP errors can create large underpayments and result from a WEP exception not being appropriately applied to the beneficiary. When pension information is not provided timely, an overpayment will often result. That is to say, when we become aware of a beneficiary's receipt of a pension, a new computation is used which often results in a lower benefit amount which subsequently results in an overpayment. Nearly 77 percent of the overpayment computational deficiency dollars for the FY 2003 through 2007 period involved WEP.

We are providing training in the use of two new automation tools, AeroWiz and MacPaste, for all technicians involved in processing computations. Continued use of these tools will address some of the issues with the computation errors.

RELATIONSHIP/DEPENDENCY: This category involves a variety of issues such as unreported remarriage, not having child-in-care, and students who were not in full-time attendance. In the Relationship/Dependency category, about 52 percent of deficiency dollars represent situations in which the beneficiary did not report remarriages. Deficiency dollars in this category are all overpayments, of which about 82 percent are OASI overpayments. Errors attributed to relationship/dependency issues accounted for about six percent of all OASDI overpayment deficiency dollars. This category accounted for about four percent of total OASDI deficiency dollars.

We are evaluating several recommendations to address relationship/dependency errors. These recommendations include potential systems enhancements related to entitlement of stepchildren, procedural revisions, and a possible legislative change.

WAGES/SEI: Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. Although earnings-related errors involve small dollars in the sample month, they can have a substantial impact over the life of the claim. Unless discovered in a review such as a quality review, earnings-related deficiencies reflect an incorrect payment that will continue for the life of the claim. Earnings-related errors most often result in underpayments to the beneficiary. For the FY 2003 through 2007 period, about 68 percent of the deficiency dollars for this category were underpayments. Errors involving earnings accounted for about 11 percent of all OASDI deficiency dollars for FYs 2003 through 2007.

We have taken a number of actions to reduce earnings-related errors. We added language to the improved Social Security Statement to remind the public to inform us of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits.

For use with applicants, we have replaced the Earnings Computation alerts by the Earnings Alert Record Query for processing all claims. The Earnings Alert Record Query is a stand-alone query that checks the Master Earnings File for potential earnings irregularities on an individual's earnings record for years after 1977 (1978 and later). We implemented these alerts to enhance the detection of possible earnings irregularities and to eliminate unnecessary wage development during the earnings record review.

We have also improved earnings record accuracy through increases in electronic filings that reduce the number of items requiring later correction. These improvements enabled us to exceed our goal (80 percent) to receive all Form W-2s electronically for tax year 2007. For tax year 2008, our goal is to receive 81 percent of all W-2s electronically. As of July 2008, we had received 213,937,728 (86.3 percent) of W-2s electronically.

To improve the posting of earnings records further, in June 2005 we implemented the Social Security Number Verification Service. The Social Security Number Verification Service allows registered employers or their third party representatives to verify the names and SSNs of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSNs per screen with immediate results or upload a file with up to 250,000 names and SSNs with the results available the next business day. In calendar year 2008, through July 4, 2008, we have verified over 43.8 million names/SSNs for nearly 32,000 employers.

Earnings that are not posted to an earnings record after the annual posting cycle go to a suspense file. These wage or self-employment earnings are not matched to an earnings record after all routine matching operations are complete. We are working to develop automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings; and,

- Match and move items from suspense to the beneficiary's earnings record.

We have also initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. We expect this re-examination process will produce information that will help us to better manage the suspense file. In addition, we developed a software program (Manual Suspense Items Reinstatement – MSIR) that is being used in the Wilkes-Barre Data Operations Center to manually look at earnings suspense file items that scored high in matching routines, but not high enough to be reinstated through one of the automated processes. In FY 2008, MSIR reinstated nearly 20,000 items from tax years 1999 and 2002 to the Master Earnings File, totaling over \$95 million.

WORKER'S COMPENSATION (WC): We have an ongoing effort to prevent future problems in the WC area, as well as clean up past problem cases. However, this manually-intensive workload continues to be a challenge. Although WC offset is solely limited to Title II DI cases, errors involving various types of WC offset accounted for about 11 percent of all Title II deficiency dollars for FYs 2003 through 2007. During this period, the vast majority of the WC deficiency dollars were underpayments, approximately 76 percent of the WC deficiency total.

Many of the problems associated with this complex workload are due to technical difficulties in determining the correct rates and dates to be used in WC computations. There is no automated verification of WC payments, so we rely mainly on beneficiary disclosure of WC payments and changes. Many beneficiaries do not report this information on a timely basis, if at all. Consequently, some of these individuals are paid a higher Social Security disability benefit than they are eligible for, while others are underpaid since their WC stopped and their SSA benefit amount is not increased accordingly.

In addition, the variations in state laws regarding the offset of Social Security benefits for both WC payments and public disability benefits (PDB) contribute to payment problems. Some beneficiaries also receive a combination of periodic WC/PDB payments and a lump-sum settlement. The combination of variance in state laws and multiple types of payments of WC/PDB received by a beneficiary often results in technical errors.

Although much work remains in the WC area, there are signs of improvement. Enhancements to the Interactive Computation Facility for computing WC offset, specialized training for technicians, a national WC website, and the rewrite of the WC chapter of the Program Operations Manual Systems are among the initiatives underway to reduce errors for this complex workload. In addition, we are conducting an ongoing review targeted at recent WC adjudications.

In FYs 2006 and 2007, our processing centers conducted a series of studies to identify cases with a high probability of error to work in future years. These cases were reworked as part of a "clean-up" workload.

In FY 2008, we cleared nearly 10,000 clean-up cases, using the criteria developed in FY 2006 to determine which cases yield the highest return for investment, while continuing to concentrate on the quality of current WC processing. For FY 2009, we are expecting to clear another 6,500 cases. In addition to the clean-up cases, we worked to reduce occurrences of overdue California State Disability Income (SDI) terminations. In FY 2008, we worked 4,400 new alerts for SDI payments and corrected a backlog of 4,890 cases.

ANNUAL EARNINGS TEST (AET): AET errors involve situations where deductions in payments related to a beneficiary's work after retirement age were not taken into account or were not computed properly. AET errors accounted for about four percent of all Title II deficiency dollars for FYs 2003 through 2007. Nearly 88 percent of the deficiency dollars in this category are OASI overpayments.

When a person has earnings after retirement, he/she is asked to report his/her earnings when those earnings exceed the annual exempt amount or when a change in expected earnings will affect benefits payable. We use these reports to adjust benefits for the year. Our stewardship review data indicates the leading cause of AET error is that wages were not reported or were reported incorrectly. We are running the AET enforcement program three times per year in order to reduce improper payments in this area.

If a beneficiary does not provide an annual estimate or report (or provides an incorrect report), the enforcement process will identify the earnings when they are posted to the earnings record. We will develop through the field office to determine if withholding of benefits is applicable. Stewardship reviewers do not record an AET error until after the full enforcement process has been completed for a particular year.

GOVERNMENT PENSION OFFSET (GPO): GPO rules generally require Social Security benefits for a spouse or surviving spouse who receive a monthly pension from a Federal, state or local government agency to be reduced. All of the deficiency dollars in this category are OASI overpayments. Errors attributed to GPO accounted for six percent of all OASDI overpayment deficiency dollars. This category accounted for four percent of total OASDI deficiency dollars. There is a current legislative proposal in the President's FY 2009 budget that would require state and local governments to provide data directly to us for work not covered by Social Security. If implemented, this legislation would permit timely processing of these types of cases, thereby reducing errors due to government pension offset.

IMPROPER PAYMENTS IN THE SSI PROGRAM

In order to track the causes of improper payments in the SSI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last five years, (FY's 2003-2007), we paid a total of \$195.2 billion to SSI recipients. Of that total, \$14.2 billion was overpaid, representing 7.3 percent of outlays. Underpayments during this same period totaled \$3 billion, the equivalent of 1.5 percent of outlays.

MAJOR CAUSES OF SSI IMPROPER PAYMENTS

For the 5-year period, FY 2003-2007, the major causes of overpayments in the SSI program (followed by a detailed description under the Corrective Actions section) were:

- Wages
- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)

Each of these causes individually exceeded the sum of the next three leading causes of overpayment deficiencies.

The major causes of underpayments in the SSI program for the same period (followed by a detailed description under the Corrective Actions section) were:

- Wages
- In-kind Support and Maintenance
- Living Arrangement "A"

CORRECTIVE ACTIONS

For the entire 5-year period, 74 percent of the overpayment improper payments were caused by a change that occurred independent of an initial claim, redetermination, or limited issue.

WAGES: Wages have been one of the leading deficiency types for overpayment improper payments in the last five years. They accounted for about 20 percent of total overpayment improper payments during the 5-year period. The major factor (91 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate and timely report of new or increased wages for the recipient or deemor. Wage overpayments increased from \$778 million in FY 2006 to \$803 million in FY 2007, a three percent increase.

In an effort to achieve more timely and accurate reporting of wages, we have completed a pilot to test the feasibility of implementing large-scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, we tested whether SSI recipients (or their representatives, parents or spouses,

where deemed wages affect benefit payments) would report wages monthly using this new technique. The key issues were the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period.

Effective July 2008, we made enhancements to the authentication system and implemented other necessary systems changes to support telephone wage reporting. We are implementing this new telephone reporting system and will be recruiting people to participate when they visit their local office to conduct business; e.g., file an initial claim for SSI payments or when interviewed for a scheduled redetermination. There should be a gradual increase in the number of participants over the remainder of FY 2008 and into FY 2009.

In FY 2008, we completed just over 1.2 million non-medical redeterminations and limited issue reviews of SSI recipients. Redeterminations increased by over 200,000 compared to FY 2007 while the number of limited issue reviews remained about the same.

Wages have been the leading cause of underpayment improper payments in four of the last five years, accounting for about 28 percent of total underpayment improper payments during the 5-year period. The major factor (81 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor. Over the 5-year period, wages earned by deemors accounted for 64 percent of underpayment improper payments and wages earned by recipients accounted for 36 percent of underpayment improper payments.

For the 5-year reporting period, wage fluctuations accounted for 64 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed. Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

In addition to improved wage reporting technology, we also implemented new wage interface alerts in June 2008 designed to detect instances of potential underpayment. These new alerts compare the information held by the Office of Child Support and Enforcement and our Master Earnings File. The interface match determines if the wage amounts used to compute an individual's payment amount may have resulted in less SSI being paid than was due. Any wage mismatches identified through this process are posted to the individual's SSI record for further development and resolution.

FINANCIAL ACCOUNTS: For the 5-year period, financial accounts were one of the leading causes of overpayment improper payments, accounting for about 20 percent of the total overpayment dollars. For FY 2007, financial account overpayment deficiencies project to \$863 million.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For each year in the 5-year period, the regional quality performance offices found undisclosed bank accounts or an increase in the amount of an account that the recipient or representative payee did not disclose to us. This accounts for 96 percent of the total overpaid dollars for the past five years.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination or limited issue related to financial accounts (e.g., 1099 alert). That is, these improper payments developed after we had been in contact with the recipient. In FY 2007, 86 percent of the improper payments in this category fit this description.

The *Foster Care Independence Act of 1999* gives the Commissioner the authority to require SSI applicants and recipients and those individuals whose income and resources we consider in determining an individual's eligibility and benefit amount (deemors) to provide authorization for the agency to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, we promulgated final regulations in FY 2004 that exercised the Commissioner's authority to require the authorization that set the stage to

allow us to query financial institutions electronically. In February 2004, we began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated that an electronic asset verification system would enable us to find undisclosed assets at the time of application.

Since the proof of concept we have been operating the Access to Financial Information process in New York, New Jersey, and most recently in California (beginning in November of 2007). Should funding become available, we will extend the Access to Financial Information process nationwide. Until such resources are available, we are continuing the operation of the Accuity system in the New York/New Jersey/California field offices and in our Quality Performance offices to assist them in detecting bank account errors as part of the annual stewardship review process.

IN-KIND SUPPORT AND MAINTENANCE (ISM): ISM deficiencies were the second leading cause of underpayment error dollars over the last five years, accounting for 19 percent of the total underpaid dollars. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (83 percent). This occurred because a change was not reported or we received an incomplete/inaccurate report (75 percent) and because field offices inaccurately processed cases (21 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, 70 percent of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination/related limited issue.

We are continuing to look at options for simplifying living arrangements and ISM policies that we believe would contribute to a reduction in underpayments.

LIVING ARRANGEMENTS: Living arrangement “A” was the third leading cause of underpayment improper payments for the last five years, accounting for 18 percent of the total underpaid dollars. This category includes people who should have been paid based on “living in own household” (e.g., home ownership, rental liability, paying pro rata share of household expenses, but were paid based on another living arrangement.)

Over the five years, this deficiency primarily occurred (88 percent) when the recipient was charged with the value of the one-third reduction (the reduction factor when a recipient is not paying his or her full share of the household expenses) and it no longer applied. Overall, the vast majority of underpaid dollars (78 percent) in this category occurred because recipients and representatives initially provided an incomplete or inaccurate report or failed to report a change. For each year in the 5-year period, almost two-thirds of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination/related limited issue.

The redetermination process is one of our most powerful tools for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when we are not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

MEDICAL ASPECTS OF THE DI AND SSI PROGRAMS

The medical aspects of the DI and SSI programs are administered through state agencies at the initial claim, reconsideration, and continuing disability review stages of the disability process. We have established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The allowance, denial, and overall accuracy rates for FYs 2006 and 2007 are presented in Table 3. These rates are determined by our quality assurance review of initial claims. We review all sampled determinations prior to effectuation and deficient cases are returned and corrected.

Starting in FY 2003, we established a combined allowance and denial goal for net accuracy. The goal for FY 2008 is 97 percent. FY 2008 data will be available in January 2009.

Table 3: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2006	FY 2007
Allowance	98.1%	98.4%
Denial	95.1%	95.6%
Combined	96.2%	96.6%

Note: The changes from FY 2006 to FY 2007 are not statistically significant.

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, we make the selection from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. We review all sampled determinations prior to effectuation and return and correct deficient cases. For FY 2006, the Actuary estimates that PER saved \$609 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 13:1. We are currently calculating the results of those reviews.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. This initiative supports the President's management reform to reduce improper payments, improves the accuracy and integrity of the SSI and Medicaid programs, and applies consistency to the DI and SSI programs. We anticipate significant program savings from this initiative.

FY 2008 is the first year we were required to review 50 percent of all allowances in the SSI program. In FY 2007, we were required to review 40 percent of SSI allowances. We are currently calculating the results of those reviews.

IMPROPER PAYMENTS FOR ADMINISTRATIVE OUTLAYS

We conducted an evaluation of our FY 2007 administrative payments and determined them not to be susceptible to significant improper payments. In FY 2007, we outlaid \$10,465 million to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits but also included payments to state agencies for the DDS.

RISK ASSESSMENT

We segmented administrative payments into several categories and used the categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 4: FY 2007 Administrative Expenses
(\$ in millions)

Payroll and Benefits	\$5,448
State DDS	\$1,783
Other Administrative Expenses*	\$3,234
Total Administrative Payments	\$10,465
Notes:	
*Other Administrative Payments includes Travel, Transportation, Rents, Communications & Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land & Structure, Grants, Subsidies, & Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest & Dividends, and Insurance Claims and Indemnities.	

Using OMB guidelines, we conducted a risk assessment on each of the categories listed in Table 4. We reviewed the payment categories and assessed any identified improper payments versus the entire payment category. The result of this analysis showed that our administrative payments were not susceptible to significant improper payments.

As part of the risk assessment, we also considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in our administrative payment systems; and,
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, we determined that our administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

RECOVERY AUDIT PROGRAM

Section 831 of the *Defense Authorization Act for FY 2002* added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of \$500 million in a FY to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that agencies shall have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative payments to address recovery issues related to recovering and limiting improper sales tax, excise tax, and late payment charges. Additionally, we use computer-assisted auditing techniques to identify possible duplicate payments. Our in-house recovery audit program employs an automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount to help identify payments that represent a higher risk of being double payments.

Results from our in-house recovery audit program and quality review process continue to confirm that Administrative Payments are well below the threshold established for reporting improper payments. These results further validate and reinforce our existing controls for the prevention, detection, and collection of improper payments.

PROGRAM SCOPE

The recovery audit program scope included a review of administrative contractor payments for FY 2007 totaling \$1.4 billion. Of that amount, about 0.23 percent or \$3,176,361 had been identified and collected. These results further validated our existing controls for prevention, detection, and collection of administrative improper payments.

We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor's final voucher, all prior interim payments made under the contract were accounted for and reconciled.

Table 5: FY 2007 Recovery Auditing Results
(\$ in millions)

Agency Component	Amount subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	\$1,392	\$11.995	\$3.176	\$3.176	\$1.909	\$1.909	\$5.085	\$5.085

ACCOUNTABILITY FOR IMPROPER PAYMENTS

In June 2002, we released the SSI Corrective Action Plan which outlined a multi-pronged approach to improve stewardship through increased overpayment detection and prevention, new measurement strategies, potential changes in SSI policies, and agency accountability. We are continuing our efforts to improve our management of the SSI program across three fronts: improved prevention of overpayments, increased overpayment detection, and increased collection of debt. To achieve these goals, agency executives are held accountable for meeting the initiatives in the SSI Corrective Action Plan. Progress is monitored in regular executive meetings.

AGENCY INFORMATION SYSTEMS TO REDUCE IMPROPER PAYMENTS

BACKGROUND

In the SSI Corrective Action Plan discussed above, we identified a number of information technology (IT) initiatives aimed at prevention, detection, and collection of improper payments. We have a formal process to plan and execute IT projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to our Chief Information Officer on areas of Capital Planning and Investment Control. The ITAB is comprised of the Chief Information Officer, Deputy Commissioner for SSA, all Deputy Commissioners, and other executive staff.

As part of the Capital Planning and Investment Control environment, the ITAB reviews and approves IT plans outlining Office of Systems' IT initiatives prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well-founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to our capital investment and control process.

IT STRATEGY

Starting in FY 2005, the "clusters" of IT projects were replaced with Strategic Objective (SO) Portfolios. These SO Portfolios are based on nine Strategic Objectives as defined in the Agency Strategic Plan. There are also two additional portfolios not corresponding to an Agency Strategic Objective: one for Infrastructure and one for Legislation. The majority of improper payment IT initiatives fall within two SO portfolios: 1) Improper payments; and 2) Manage finances.

Provided we develop the IT initiatives identified to improve preventing, detecting, and collecting improper payments and are given the resources to do so, we will be in a better position to achieve our strategic objectives in this area. The President's FY 2009 budget for the agency is \$10,327 billion for Limitation on Administrative Expenses, an increase of \$582 million in discretionary budget authority over our FY 2008 appropriation. With the President's FY 2009 budget, we will be able to process significantly more retirement claims and answer more

800-number calls, substantially reduce the hearings backlog, and process more program integrity work. The budget supports our efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include processing of nearly 100,000 more continuing disability reviews and nearly 300,000 more SSA non-disability redeterminations as compared to FY 2008, as well as the use of computer matches to identify and prevent overpayments. Through these activities, we can ensure the ongoing stewardship of our programs.

STATUTORY AND REGULATORY BARRIERS TO REDUCING IMPROPER PAYMENTS

We continuously develop legislative proposals to improve administration of the OASI, DI, and SSI programs. For example, several proposals that would make amendments to the OASI, DI, and SSI programs are included in the President's FY 2009 budget. One of the proposals would simplify administration of the DI program by modifying the rules for computing the reduction under the workers' compensation (WC) offset provision. Receipt of WC payments often results in a reduction in the benefits payable to a disabled worker and the worker's entitled family members.

WC OFFSET SIMPLIFICATION PROPOSAL: Simplifying the DI program reduces improper payments. One of the proposals in the President's budget would change the amount of the offset to a benefit reduction equal to the lesser of the worker's monthly WC benefit or a flat percentage (31 percent) of the Social Security DI benefits payable to the disabled worker and the worker's family. In addition, the offset period would be limited to no longer than 5 years from the worker's first month of entitlement to disability benefits.

The current WC offset provision is a complex aspect of the Social Security DI program, is difficult to administer, and is error-prone. The provision requires us to: 1) base the initial offset on an amount equal to 80 percent of the worker's pre-disability earnings, 2) continually monitor the amount of the ongoing WC payment, 3) apply special rules when adding annual Cost-of-Living-Adjustments to the benefit payable, and 4) redetermine every three years the amount of the pre-disability earnings used in the offset. Due to the complexity of the provision, we devote substantial staff time to reworking cases in which errors were made. This proposal would simplify the administration of the WC offset provision, thus allowing us to use our administrative resources more effectively. These resources could be applied to other pressing workloads at SSA—e.g., conducting Continuing Disability Reviews.

AGENCY EFFORTS TO COLLECT OVERPAYMENTS IN THE OASI, DI AND SSI PROGRAMS

In FY 2008, we collected \$2.81 billion in program debt. We achieve debt collections in a variety of ways that have been developed over the years. Collection techniques include internal methods such as benefit withholding and billing and follow-up. In addition, we use external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* (FCIA) for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting, administrative wage garnishment (AWG), and Federal Salary Offset (FSO).

Our strategy for improving our debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, we have worked steadily over the years to build the strong debt collection program we now employ. We have a history of striving for maximum stewardship of the OASI and DI Trust Funds and the General Fund. In the early 1990s, we launched an expansion of debt collection tools that continues today.

Beyond our internal methods of debt collection which are benefit withholding and billing/follow-up, Table 6 below summarizes the results of key debt management initiatives we have undertaken, followed by a discussion summary of each initiative.

From their inception through September 2008, these initiatives have yielded over \$3.0 billion in benefits through a combination of overpayment recovery and prevention improvements.

Table 6: Results Summary - Debt Management Initiatives (\$ in Billions) Through September 2008

Initiative	Initial Inception	Results		
		OASDI	SSI	TOTAL
Tax Refund Offset/Treasury Offset	1992	\$0.881	\$0.620	\$1.501
Credit Bureau Reporting	1998	\$0.251	\$0.217	\$0.468
Cross Program Recovery	2002	\$0.029	\$0.409	\$0.438
Wage Garnishment	2005	\$0.033	\$0.008	\$0.041
Automatic Netting - SSI	2002	N/A	\$0.596	\$0.596
Total (\$ Billion)		\$1.194	\$1.850	\$3.044

Note: Tax Refund Offset/Treasury Offset includes Federal Salary Offset recoveries.

TAX REFUND OFFSET/TREASURY OFFSET: Taking advantage of the legal authorities granted in the *Omnibus Budget Reconciliation Act of 1990* (for OASDI debts), and the *Deficit Reduction Act of 1984* (for SSI debts), we began an expansion of our debt collection initiatives with the implementation of tax refund offset (TRO) in 1992. We enhanced our TRO program twice in the 1990s and then merged it with TOP in 1998. To date, we have collected over \$1.5 billion in delinquent debt via TRO/TOP.

CREDIT BUREAU REPORTING: In 1998, we began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, we also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over \$468 million in delinquent overpayments by people who do not want to submit to the reporting or to other aggressive collection tools such as TOP and AWG.

CROSS PROGRAM RECOVERY - SSI: After receiving the authority to use mandatory Cross Program Recovery (CPR), or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, we developed and implemented this internal collection method. Since 2002, we have collected over \$409 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients.

CROSS PROGRAM RECOVERY - OASDI: We received additional authority for CPR in the *Social Security Protection Act of 2004*. We are now able to use mandatory CPR in situations where CPR was not previously permitted. We started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments. In August 2007, we further expanded the use of CPR to include recovery of OASDI overpayments from SSI underpayments. Since implementing this expanded CPR process, we have recovered over \$29 million in OASDI overpayments. We intend to continue expanding the CPR program to other situations in the future.

ADMINISTRATIVE WAGE GARNISHMENT: We also implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each payday from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. We issued the first garnishment orders in April 2005 to the employers of OASI, DI, and SSI debtors who became delinquent in 2005. We expanded the AWG program to all existing delinquent debtors in August 2006. To date we have recovered over \$41 million in AWG.

NON-ENTITLED DEBTORS: In November 2005, we implemented a new initiative called the Non-Entitled Debtors (NED) program, which was also authorized by the FCIA. This automated system enables us to control recovery activity for debts owed by people for whom we do not have a master record. For example, the records for debtors

such as representative payees who receive overpayments after the death of the beneficiary are controlled in NED. Work is continuing on the expansion of this system, which will eventually include all types of debtors who are not entitled to benefits and will allow us to collect NED debts by means such as TRO, AWG, and FSO.

FEDERAL SALARY OFFSET: In FY 2006, we implemented FSO, which was authorized by the DCIA for OASDI debts, and by the FCIA for SSI debts. FSO is the process whereby the salary paying agency withholds amounts each pay day from an employee of the Federal government who owes a debt to a creditor agency. We use FSO to collect delinquent SSA overpayments owed by Federal employees, including employees who work for SSA.

AUTOMATIC NETTING - SSI: In addition to the preceding improvements, we implemented other debt collection techniques of major import. One such improvement is called “Netting,” an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, we have prevented over \$596 million in overpayments computed and underpayments paid.

OTHER INITIATIVES: We have also helped other Federal agencies with debt collection by collaborating with Treasury’s Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program, authorized by the DCIA, collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program, authorized by the *Taxpayer Relief Act of 1997*, collects delinquent tax debts from Social Security benefits.

Continued improvement in our debt collection program is also underway. The future will see the completion of several remaining debt collection tools. They include the use of private collection agencies and administrative fees, interest-charging, or indexing a debt to reflect its current value.

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Appendix

GLOSSARY OF ACRONYMS

A

ACSI	American Customer Satisfaction Index
AERO	Automatic Earnings Reappraisal Operation
ADA	Agency Decisional Accuracy
ADP	Automated Data Processing
AET	Annual Earnings Test
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

C

CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CFO	Chief Financial Officer
CMS	Centers for Medicare and Medicaid Services
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross Program Recovery
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DCIA	Debt Collection Improvement Act
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DMF	Death Master File
DOL	Department of Labor
DOT	Dictionary of Occupational Titles

E

EAB	Enumeration-at-Birth
EAE	Enumeration-at-Entry

eCDR	Electronic Continuing Disability Review
EDR	Electronic Death Registration
EN	Employment Network
eServices	Electronic Services
ESF	Earnings Suspense File

F

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCIA	Foster Care Independence Act
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FSO	Federal Salary Offset
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPO	Government Pension Offset
GPRA	Government Performance and Results Act of 1993
GF	General Fund
GSA	General Services Administration

H

HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance
HSPD	Homeland Security Presidential Directive

I

IG	Inspector General
IPIA	Improper Payments Information Act of 2002
IRS	Internal Revenue Service
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board

L

LAE Limitation on Administrative Expenses

M

MD&A Management's Discussion and Analysis

MSIR Manual Suspense Items Reinstate

N

NAS National Academy of Sciences

NED Non-Entitled Debtors

O

OASDI Old-Age, Survivors, and Disability Insurance

OASI Old-Age and Survivors Insurance

ODAR Office of Disability Adjudication and Review

OIG Office of the Inspector General

OMB Office of Management and Budget

O/P Overpayment

P

PAR Performance and Accountability Report

PART Program Assessment Rating Tool

PDB Public Disability Benefits

PER Pre-Effectuation Review

PII Personally Identifiable Information

PMA President's Management Agenda

PP&E Property, Plant, and Equipment

PPWY Production Per Workyear

PTF Payments to the Social Security Trust Funds

Pub. L. No. Public Law Number

PwC PricewaterhouseCoopers LLP

PY Prior Year

Q

QA Quality Assurance

QDD Quick Disability Determinations

R

RCA Reports Consolidation Act

RRB Railroad Retirement Board

RRI Railroad Retirement Interchange

RSI Retirement and Survivors Insurance

RSI Required Supplementary Information

S

SBR	Statement of Budgetary Resources
SDI	State Disability Income
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self Employment Income
SF-133	Budget Execution Reports
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SMI	Supplemental Medical Insurance
SO	Strategic Objective
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service

T

TBD	To Be Determined
Title II	Social Security
Title VIII	Special Benefits for Certain World War II Veterans
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
TRO	Tax Refund Offset
TRO/TOP	Tax Refund Offset/Treasury Offset Program

U

USC	United States Code
U/P	Underpayment

V

VoIP	Voice over Internet Protocol
VR	Vocational Rehabilitation

W

W-2s	Wage and Tax Statements
WC	Workers' Compensation
WEP	Windfall Elimination Provision
WIPA	Work Incentive Planning and Assistance

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